the NATIONAL UNDERWRITER

The National Weekly Newspaper of Life Insurance—

October 18, 1958

ALC Adopts Resolution On Income Tax After Spirited Discussion In Forum

By ROBERT B. MITCHELL

As the final action of its closing genal session, American Life Convention executive session adopted the foling resolution on the income taxaof life companies:

"Be it resolved that the American ife Convention reaffirms its position a favor of federal income taxation of fe insurance companies on a net nvestment income basis and further esolves that it will endeavor to secure enactment of legislation based on his true and historic principle, it eing understood that the joint comittee on federal income taxation of te insurance companies may continue function in line with the four-point tement, accompanying the report of committee chairman of Oct. 8. 958." (This four-point statement apared on page one in last week's issue The National Underwriter.)

Immediate Past President John A. loyd's spirited and at times scornful ttack on the total income method of axing life companies as proposed by group of 26 mutuals provided a ramatic climax for American Life onvention's tax forum at the final eneral session of the annual meeting

While speaking only for himself and the Temporary Mutual Tax Committee his company, which is mutual, Mr. went over the hill to chase the illusion Lloyd said, "I know from my correof total income taxation." Lloyd said, spondence and conferences that there are many other mutual companies which agree with me in opposing the so-called total income method and in



John A. Lloyd



Louis W. Dawson

supporting the investment income approach.'

Mr. Lloyd made no secret of being irked at the mutual group both for seeking a separate solution designed for mutuals and for doing it on the total income basis.

"Everywhere you hear propaganda for 'unity,' " he said. "Let's face up to it: Unity went out the window when

Though expressing "complete sympathy" with the stock companies and a promise to support them "whenever and however I can do so properly," Mr. Lloyd said he was impelled to counsel his stock company friends that they should face the facts of life.

Scores Mere Opposition

"Mere opposition to the total income approach is not sufficient under to-day's circumstances," he warned. "There is a strong feeling on Capitol Hill that life insurance companies are undertaxed and it is due as much to the suspicion that many very profitable stock company operations have not been paying their just share of taxes as it is that some of the giant mutual pools have been escaping their full tax responsibilities.

"At the next public hearing, our witnesses will meet head-on the in-formation widely disseminated by brokers and promoters of new stock companies of the fantastic increase in stock values which has been attributed glibly to 'a favorable tax structure.' After we have finished arguing that the total income approach will give (CONTINUED ON PAGE 9)

Decision For SEC On Variable Annuity Nouldn't Stop Pru

Even if the U. S. Supreme Court ecision to review the circuit court's fusal to hold that Securities & Exhange Commission has jurisdiction ver variable annuities results in a eversal, it won't stop Prudential in s efforts to get legislation permitting to issue variable annuity contracts.

A Prudential spokesman, queried on his point, mentioned that President Carrol M. Shanks had said on various ccasions that if issuance of variable nnuities meant having to submit its proposed variable annuity operations of SEC regulation, the company rould do so rather than forego issunce of such contracts.

es Silver Lining

While actual and would-be variable anuity insurers would have prerred a Supreme Court denial of cerorari in the variable annuity case, ere is something to be said for geting the matter settled finally without orther delay. If the Supreme Court ad denied certiorari, the SEC could lyce kept trying in other circuit court disdictions in the hope of getting a vorable decision which would inelve a conflict between circuits and a nsequent necessity for the Supreme ourt to resolve the conflict.

Inquiries in Washington disclosed a port that it was Justice Douglas who cided the certiorari writ should be ed. Entirely aside from the fact the same month in 1957.

that he is a former head of the SEC, the mere issuance of the writ is not regarded as auguring a reversal of the circuit court decision favoring Variable Annuity Life and Equity Annuity Life.

Those familiar with Supreme Court procedure say that it is customary for a single justice to make the decision, in most cases, on whether or not to review a lower court decision. Where the matter is believed to be of considerable moment, the justice may be influenced by the fact that he doesn't want to take the sole responsibility for foreclosing an appeal, even if he feels the other justices will probably agree with him that there is not an adequate basis for reversing the circuit court.

Wood, White Head NALU Committees

R. Edwin Wood, Phoenix Mutual, San Francisco, has been appointed chairman of the National Assn. of Life Underwriters committee of agents, and Jack White, Prudential, Los Angeles, will be chairman of the committee on associations, which is composed of presidents of state associations.

Mr. Wood was elected a trustee at the recent annual meeting and Mr. White served as a trustee from 1954 until the 1958 meeting.

9-Month Gain For Mass. Mutual

Massachusetts Mutual's ordinary sales during the first three quarters of 1958 totaled \$705,743,311, a gain of 32.4% over the same period last year. Ordinary sales in September were \$81,463,854, an increase of 47.9% over

O'Mahoney Questions **Commissioners On Operational Details**

WASHINGTON-The Senate antitrust and monopoly subcommittee, whose investigation of the insurance business and of state regulation is being directed by Sen. O'Mahoney, has sent a questionnaire to all state supervisory officials. Several questions are aimed at finding out what requirements new companies have to meet to get into business and what standards. financial and otherwise, are applied to insurers from outside who are seeking to enter the state.

In addition, several questions are asked about the method of selecting the commissioner and the outside activities of insurance department staffs, if anv.

How Many New Insurers?

Specifically, the subcommittee wants to know the number of new domestic insurers, broken down by category, that have been chartered and licensed in the state in the past five years, along with the total premium volume of such

companies for 1957.

How many out-of-state companies have been admitted and how many have withdrawn in the period 1953-57 inclusive? The questionnaire calls for all details concerning companies that have applied for licenses in the past five years, where such applications were denied or not acted upon.

What are the minimum capital and surplus requirements for licensing in-(CONTINUED ON PAGE 25)

Inflation Gravest Peril To Insurance, **ALC Section Warned**

Investment Executives Hold Session Following Convention At Chicago

The "greatest single danger" to life insurance today is the constant erosion of the dollar, with attendant decline in the purchasing power of policyholders' funds, John B. Siegel Jr., vice-president of Life of Virginia and chairman of the American Life Convention Financial Section, told the

Perry S. Bower, vice-president and treasurer Great-West Life, was named financial section chairman to succeed John B. Siegel Jr., vice-president Life of Virginia.

Sherwin C. Badger, vice-president New England Life, is the new vice-

G. Lane, vice-president Union Mutual Life, was elected secretary.

members of the section at their meeting in Chicago.

The Financial Section met the day after the conclusion of the general convention sessions.

Mr. Siegel warned that decisions and developments of the last 12 months have given sudden impetus once again to the inflationary spiral. "One has but to look around to see

the unmistakable evidences of the growing inflationary psychology," he said. "The overnight formation of the giant new mutual funds, the upsurge in bond yields with the parallel drop in bond prices, the obvious decision of corporate management to expand via debt financing and cheap dollars rather than equities, and finally, the recent action of the stock market-all serve to focus attention on this growing spectre."

Mr. Siegel said that in the face of an annual decline in the purchasing power of the dollar, extra interest or capital appreciation is needed to offset this loss.

We face no imaginary threat, but what amounts to an actual (CONTINUED ON PAGE 25) rather



John B. Siegel Jr., (right) vicepresident Life of Virginia and retiring of ALC financial section congratulates his successor, Perry S. Bower, vice-president and treasurer, Great-West Life.

Should Find Ways To Own More Common Stocks, Actuaries Are Told

continued long-term inflation, it is

highly desirable that the life insurance business seek new ways of investing in equities and in fact there are good reasons for doing this even though it is not assumed that inflation will continue indefinitely.

This view expressed by Fergus J. McDiarmid.

Fergus McDiarmid investment vice-president of Lincoln National Life, in a paper presented at the recent meeting in Cincinnati of Society of Actuaries.

If modern governments lack either the will or the ability to maintain the value of their money, and people and institutions desire to hedge against this in their investment and pension programs, it is something which the life insurance business can not very well ignore, insofar as its technical operation and investment policy are concerned, said Mr. McDiarmid.

Lists Inflation Factors

After listing the strongest inflationary factors, Mr. McDiarmid discussed the dilemma that faces the life insurance business and then gave some ideas on new investment media and made some suggested technical changes that would enable life com-

With so many signs pointing toward panies to invest more generally in

The inflationary factors he listed as follows:

1. The armament race, accelerated by the advent of ballistic missiles, will necessitate increasing government spending, all of it inflationary.

2. The strength and militancy of labor unions have led to a wage-price spiral in which wage increases tend to outrun increases in productivity. In the last two years in the United States and probably in Canada also there has been little increase in real productivity per hour of work. Under these conditions, price increases in-evitably follow wage increases.

3. Economic pressure groups, such as farmers, are an inflationary force tending to increase both prices and government spending. Other pressure groups oppose the use of such fiscal weapons as higher interest rates as a means of combating inflation. "We have recently seen how promptly such weapons are sheathed at the slightest sign of deflation and before any drop in the cost of living has been experienced," he said.

4. Formerly the gold standard tended to deflate prices back into line if they rose unduly. The process was usually accompanied by some unemployment and economic discomfort. "Today currencies are exclusively the creatures of governments and very little subject to automatic discipline from outside.

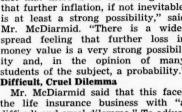
"It is only to state an unpleasant

fact that there is an increasing belief that further inflation, if not inevitable, is at least a strong possibility," said Mr. McDiarmid. "There is a widespread feeling that further loss in money value is a very strong possibility and, in the opinion of many students of the subject, a probability." Difficult, Cruel Dilemma

seem like a defeatist attitude in itself.

"In following such a negative course, the life insurance industry runs the risk of withdrawing in large measure from some of the most important functions in our society which it has heretofore helped perform to a very important extent, and the mobilization of capital," he

that in the 10 years ending with 1956. life and endowment insurance, representing the plans which produce substantial reserve and asset accumula-tions, declined from 79% of total insurance in force to 56%, while term



Mr. McDiarmid said that this faces the life insurance business with "a difficult and cruel dilemma." To adjust operations to the assumption of continued inflation indefinitely into the future on a substantial scale would be difficult if not impossible and would also be construed as a defeatist attitude. On the other, to make no adjustments in that technical operation in the light of events might also

namely the encouragement of savings Accompanying his paper was a chart which showed among other data,

(CONTINUED ON PAGE 17)

Agents Help Manager To Recruit More Men

The Agency Section of American Life Convention, at its annual meeting in Chicago, heard Robert M. Best, manager of Business Men's Assurance at Columbus, O., tell how he uses agents to help in recruiting additional agents, much like an "endless chain."

"We use the aptitude test, and, assuming it is favorable and assuming a good inspection report, it is then up to me," Mr. Best said. During his recruiting interviews he asks himself these questions:

1. Do I really like this man?

- Will the other salesmen like him? 3. Will the people he is calling on like him?
- 4. Can I motivate him?
- Does he have a reasonable finanbudget?
- 6. Who is he going to sell?

Training Is Difficult

Mr. Best said that training in his jurisdiction is difficult because most of his new men are not in his branch office city. He uses three kinds of training: self study, where the man completes the series of correspondence courses made available by the company; group study consisting of newman schools, sales meetings, conferences with the supervisors or managers and LUTC and CLU classes; and third and most important, joint field work.

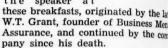
Mr. Best defined a good supervisor (CONTINUED ON PAGE 26)

Pritchard Urges All-Out Crusade **Against Inflation**

An all-out crusade against the force of inflation was urged by Presiden

Oren D. Pritchard of National Assn. of Life Underwriters in his talk at the "Tom Grant breakfast" during the annual meeting of American Life Convention at Chicago.

Traditionally, the newly elected president of NALU is speaker at



Mr. Pritchard said that every majo thrift institution in the United State should be enlisted in a great nation crusade to make the people understand that inflation, "fanned by financially irresponsible federal policies and ben efit philosophies, will ultimately bring only tragedy to all who depend upo the soundness of our currency.

"Business men, large or small, mus be made to realize that unrestrained inflation inevitably results in a higher cost of doing business and thereby weakens the earning power of any business enterprise," he said, "Without adequate earning power, the capacity for paying dividends or interest vanishes, with all that this means to investment values.

'Round after round of increases in wages and salaries for all those or government payrolls can only lead to round after round of increases in corporate and private payrolls and all leading to increases in the necessition

"And then follows another round security increases, with the (CONTINUED ON PAGE 26)

300 To Represent Life Companies At **Medical Meeting**

Association of Life Insurance Med ical Directors of America will hold it 67th annual meeting at the Hote Statler in Hartford, Oct. 22-24, and 300 physicians representing life companies in the U. S. and Canada at scheduled to attend.

The program will consist largely scientific reports by widely know medical authorities in their fields. The speakers will include Col. John Stapp, chief of the U.S. air for aero medical laboratory; Dr. Franci J. Braceland, psychiatrist-in-chief the Institute of Living, and Gunna Gunderson, president of America Medical Assn.

Other speakers will be Dr. Richard H. Chamberlain, professor of radiology, graduate school of medicine of the University of Pennsylvania; Gerald S Parker, secretary of A&S of Guardian Life; Dr. Raymond Jonnard, assistan laboratory director of Prudential; Dr William B. Schwartz, professor of medicine of Tufts college school of medicine, and Dr. Theodore L. Badget assistant clinical professor of medicin at Harvard medical school.

Help Blues Get Rate Increases: Faulkner

Insurance companies should help the Blue Cross and Blue Shield plans in their efforts to get an adequate premium for their services, President E. Faulkner of Woodmen Accident & Life and chairman-elect of Health Insurance Council, told members of International Claim Assn. at the annual meeting at French Lick, Ind.

"It is undoubtedly true," he said, "that in the past there have been serious misunderstandings between the insurance companies and the service type insurers. I am convinced that many service plan managers have felt that it was the purpose of the insur-ance companies to preempt the field; and we, in turn, have seriously questioned the desire of service plans to become 'the chosen instrument' for the financing of health care costs.

Can't Afford Failures

"The seriousness of the issue between those who believe in compulsory government programs and those who believe in the voluntary way no longer permits these misunder-standings among important segments the voluntary health insurance structure. Private enterprise cannot afford the failure of the service type insurer nor can it afford a situation in which their survival depends upon government subsidy.

"Business statesmanship requires that while we continue to compete

keenly and cleanly that we support the service plans in their endeavor to secure an adequate premium for their insurance; that we work cooperatively with them to restrain rising health care costs; and, through the process of persuasion and education, we help them to an understanding of such important insurance fundamentals as coinsurance, the deductible and merit

Addresses Southwest Actuaries

Richard B. Johnson, head of the department of Southern Methodist University, was principal speaker at the annual meting of Actuaries Club of the Southwest at Dallas.



Rufus E. Fort Jr. (right), National Life & Accident, retiring chairman of ALC Combination Companies Section, congratulates the new chairman, Glen J. Spahn, Metropolitan.

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A. 62nd year



To serve clients scattered throughout Kentucky, Virgil Steed has registered 68,000 miles on his Rambler within two years. Here he discusses a new policy with John W. Wilhelmi, Jr., popular Louisville Rambler dealer.

HE'S A GOOD MAN TO KNOW

Greeting Virgil Steed is Albert G. Clay, descendant of Henry Clay and president of the Burley Auction Warehouse Association, which protects its personnel with \$4,000,000 of Union Central Group Insurance.

Sooner or later, anyone who lives in Kentucky is destined to meet Virgil S. Steed — a man who travels 34,000 miles a year along roads which ramble through 68 counties where he is known as Mr. Life Insurance. His

affection for the Bluegrass state and its people is reflected in one of the most colorful, diversified backgrounds of any professional life underwriter.

For 15 years, he managed three large farms. He has a personal awareness of the difficulties which confront rural communities as well as the satisfaction a farmer feels when he sells his patiently nurtured crop. Drawing on earlier experience as a publisher's representative, he has revealed this understanding in Kentucky Tobacco Patch, an authentic account of farm life which has earned its place on the shelves of schools and libraries throughout America.

He is also at home in medical circles. First, because he administers an extensive insurance

program for the Kentucky Academy of General Practice. Secondly, because he assisted in organizing the Rural Kentucky Medical Scholarship Fund which sponsors students who agree to practice in rural areas.

His impressive accomplishments in the life insurance profession date back to 1948 when he joined the Louisville Agency of The Union Central. Rigid standards have earned him the National Quality Award on eight consecutive occasions; and the confidence of his clients have earned him membership in his Company's celebrated \$500,000 Club during each of the past seven years.

Hundreds of Kentuckians will tell you that Virgil Steed is a good man to know.



Virgil Steed is a frequent guest at the home of friend and client, Dr. Daryl P. Harvey, president-elect of the Kentucky Academy of General Practice. Once field secretary, Mr. Steed is now the Academy's Group Insurance counselor.

One of Virgil Steed's earliest clients was Pulitzer Prize winner, A. B. Guthrie, Jr., who won the award for his novel, "The Way West." A former city editor of "The Lexington Leader," he is now a prominent writer of motion pictures.



Virgil Steed is an active and dedicated supporter of the Rural Kentucky Medical Scholarship Fund. Here he discusses the Fund with Dr. C. C. Howard, the president of the Board of Trustees since 1946.

THE UNION CENTRAL LIFE INSURANCE COMPANY . CINCINNATI

Security for the American Family since 1867

Get Facts Before Blasting Doctor For Seeming Overcharge

Claims executives were urged by Dr. Louis M. Orr, president-elect of American Medical Assn., addressing the annual meeting of International Claim Assn. at French Lick, Ind., to make sure there is a valid grievance before letting off a blast at a doctor for what may seem like an overcharge.

Dr. Orr also urged his listeners not to make blanket condemnations of the medical profession because a small number of doctors behave unethically

in this respect.

"If you feel you have a well founded grievance, my suggestion would be to discuss it with the medical society in the area involved," he said. "The reason I say 'well founded' grievance is that many situations seem, on the surface, to be irregular and the basis for a grievance. Further investigation, however, indicates there was no irregularity. If a fee is questioned, that



Jack D. McSpadden (right), Liberty National Life, retiring chairman of the agency section, and his successor, A. E. Wall, Confederation Life, at the ALC convention.

too may seem more reasonable when all the facts are in.

Dr. Orr said the medical director of an insurance company is in a position to play a key role in reducing misun-

derstandings which involve insurance and medicine because he can appraise a given situation as a physician and secondly he can be the company's best liaison in discussing problems with physicians, whether on a direct basis or through the medium of a commit-

There is no doubt in my mind that if voluntary health insurance is going to continue to work properly and satisfactorily for patients.

cal profession and you in the health insurance industry must act like the partners we are in this field," he said. "It is possible that in all too many instances in the past we have waited

"If we continue contacts such as this, and perhaps on a more frequent basis, it will provide a better climate for meeting problems head-on and coming up with equitable solutions more promptly. Over the years, I've gained the impression that each prob-

tee, if that is desired.

factorily for patients, we in the mediuntil there was a problem or a misunderstanding before getting together.

it easier to cope with the next one."

No Starry Eyes On Multiple Line Panel Of ALC Agency Men

A panel on multiple-line operation brought out various points of view at the Agency Section meeting of American Life Convention at Chicago. Richard B. Evans, president of Colonial Life, which is affiliated with Federal of New Jersey, said he believes that the present agency system will remain the core of life insurance merchandising. He said it is significant that the companies going into multiple-line have been expanding their corps of agents as well as brokers. Finally, he said the supply of all insurance needs from a single source should not be considered a serious threat to the agency system.

Robert B. Hamor, vice-president of Continental Assurance said that 90% of his company's business is coming from general lines producers. He said the life-only agents placing surplus business have discovered that the companies not licensed in New York pay higher commissions and "they don't have much time for us."

Calls Gains Illusory

Mr. Hamor said most of the gains that a fire or casualty company expects to have by buying or forming a life insurance affiliate are an illusion. He said a life company will get business from competent insurance men in proportion to the ability of the business-getting staff and the fact of affiliation is minor. He said his company had been distributing life insurance through property insurance channels for years and that as for recent statements to the effect that the public is pleading for unified service, "not in our 45 years have we detected this tremendous

Large Staff Is Bulwark

He cited the record of the combination companies introducing ordinary business and added that the evidence leads him to believe that the bulwark of the life insurance business is a large staff of trained personal producers.

A. W. Tompkins, agency vice-president of State Farm Life, said there is no magic in multiple-line until a company has career agents. He said a company cannot expect much life business from a casualty agent but can get a good deal of casualty business from a life man.

MDRT Will Meet In Hawaii In 1960: Dates Are May 22-21

Village hotel Honolulu, May according Robert S. All ton, who, if normal success is followed, will chairman of Round Table 1960. Mr. Alb ton, who is vi chairman-elect the 1959 Rou Table, is an ag

of Provident Mutual at Los Angeles The place and dates are being nounced now because of the unus locale of the meeting and so as to avo possible conflicts with company me ings and other events which might pr vent members from attending t MDRT meeting. Present members a their companies are being sent spec announcements of the 1960 dates a place. The members of the Round Tal were polled earlier this year to detail mine their preferences about meeti sites and of the 1,400 who replied, me than 75% were in favor of scheduli and attending a meeting in Hawaii.

The 1960 meeting will not be to first time the Million Dollar Roun Table has met outside of continent United States. The 1958 meeting wa at Banff Springs in Canada, the 195 meeting was a cruise convention and Bermuda, and the 1930 meeting was Toronto. It is anticipated that specific properties of the steamship and airline travel plans w be arranged for members by t Round Table headquarters.

The Round Table will continue observe its strict meeting regulation which specify that only members m be registered or in attendance at meeting hotel between the open and closing of the meeting. However since many members will want to accompanied by their families, spec arrangements are being planned the accomodation of families at Royal Hawaiian hotel in Honoli during the time of the Round Tab meeting.

Green Mountain Legacy," a 2 minute color film that will dramate the contribution made by Vermont at its citizens to the nation is being sp sored by National Life of Vermont

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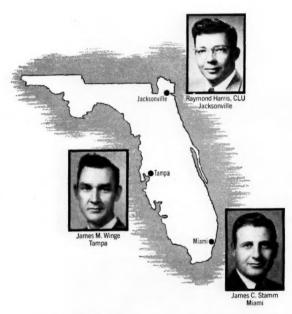
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A career without a ceiling

G. WILLIAM CORFIELD

August 29, 1958

Mr. Donald N. Adamson, Manager The Franklin Life Insurance Company 385 East Green Street, Suite 305 Pasadena, California

Dear Don:

It was no easy decision for me to resign from a position which had paid me a substantial annual salary over several years and to enter into an entirely new field. Like most people I wanted security, but I finally made a decision that I did not want to settle for security alone. I came to the conclusion that the type of security I really wanted for myself and my family, was an opportunity for a career that placed no ceiling or limitations on my income. This thought motivated my association with The Franklin Life Insurance Company as a member of your agency.

After looking around and interviewing a number of well-known insurance companies, my decision to cast my lot with you and The Franklin Life was due almost entirely to the salability of our exclusive merchandise which puts us pretty much beyond the range of competition and enables us to serve the public in a unique manner.

Each year with Franklin Life, my income has progressed steadily upwards. During the first eight months of 1958, I have delivered 174 new contracts. My first year commissions alone have exceeded \$12,000 for the year to date. I fully anticipate that my first year income, exclusive of renewal commissions, will exceed \$18,000 at year-end.

In closing I wish to express my appreciation for the valued cooperation received from you, Mr. George A. Landis, our State Manager, and his staff, and our Home Office.

Sincerely yours,

G. William Corfield

An agent cannot long travel at a faster gait than the company he represents:



The Friendly

FRANKLIN LIFE INSURANCE COMPANY

CHAS. E. BECKER, PRESIDENT

SPRINGFIELD, ILLINOIS

DISTINGUISHED SERVICE SINCE 1884

The largest legal reserve stock life insurance company in the U.S. devoted exclusively to the underwriting of Ordinary and Annuity plans

Over Three Billion Dollars of Insurance in Force

Insurers, Not Agent Or Insured, Push For Complete Multiple Lines

By HOWARD J. BURRIDGE

Much has been said and written in recent months about companies going completely multiple line; fire companies establishing life affiliates and life companies buying fire and casualty companies. There is a marked and un-mistakable trend in this direction, and there should be no doubt that it will

But so much of what has been said about it is entirely beside the point, which is that this is a movement initiated and carried forward by the companies themselves. Neither local agents nor the public have had anything to do with it, in spite of what might have been said to the contrary. Local agents already have adequate facilities for all forms of coverage that they write. No demand for multiple line facilities in one company or one company group is being made by

Sometimes a multiple line company is a convenience and a help and is an arrangement that is liked by the agent, but on the other hand there are thousands and thousands of agents who have no completely multiple line company in their offices who are do-ing very well in the handling of their business by representing separate fire, casualty, life and A&S companies.

Public Deals With Agent

Multiple line writing is not being called for by either the agent or the public. If left to them, it would be a dead issue. In both property and personal insurance, the public deals with the agent, not the company. Only in rare cases is the company a factor. Price is sometimes of importance, but when that question has been settled, the average buyer of any form of insurance accepts the policy that the agent provides.

Basically the rush on the part of companies to establish multiple line

Moving Day For NALU

Headquarters Is Set

For End Of The Month

National Assn. of Life Underwriters

will move its headquarters on Oct. 31

to 608 13th street, N. W., about two blocks east of the White House.

In announcing the move, Lester O.

Schriver, NALU managing director,

said that the association's monthly magazine Life Association News and

General Agents & Managers Confer-

ence of NALU also will be housed in

The move will put the association nearer to the center of the Washing-

ton business district, the Capitol, Con-

gressional office buildings and many

government administrative agencies. Mr. Schriver said, "We probably shall stay at the 13th street address

two years, during which time we

have reason to hope that NALU will

build or buy a new permanent head-quarters office building."

Arthur W. Lowery, Republic Nation-

al Life, Houston, has been elected pres-

ident of Houston Insurance Club, suc-

ceeding Earl W. Gammage, Pan-Amer-

Houston Insurance Club Elects

the new headquarters.

whelmingly unfavorable loss experience that the fire and casualty companies have sustained during the last three years, and which is continuing at a high level so far in 1958. All property writing companies have been impressed with such seasoned multiple line operators as Travelers, Aetna Life and Continental Casualty. They have observed that these and other multiple line companies of smaller size have lost money on their fire and casualty business during the same years that they have been registering a comfortable profit on life insurance. Functioning as multiple line insurers, they have been able to benefit from an all inclusive underwriting program.

Six Out Of Twelve

It is interesting to observe that among the first 12 companies in the fire and casualty field writing the largest property business, six— Travelers, Aetna Life, State Farm, Continental Casualty, North America, and Allstate-are multiple line companies. In addition, Home recently entered the life field through the purchase of Peoples Life of Indiana, and Hartford Fire will shortly conclude negotiations for the purchase of Columbian National Life. Of the first 12, only America Fore Loyalty, Liberty Mutual, U.S.F.&G., and Royal-Globe do not function in the life field. A number of other property companies, high on the list for property premiums, already are in the life field. They are the Kemper group, St. Paul F.&M., Farmers of Los Angeles, Employers group, Trans-America and General of Seattle. They recently have entered the life field. Thus the record is that most of the larger, more prominent and aggressive companies are adding life affiliates. With the passing of time they are certain to become of increasing importance in the production of

New Sales Tools Are Featured At Two New **England Life Meetings**

New streamlined sales tools and briefings on company policy were the features of New England Life's two regional meetings of top agents. Members of the field force from the east northeast, their families and home office executives met at the Chalfonte-Haddon Hall in Atlantic City and the meeting of midwestern field men was held at the Grand Hotel, Mackinac Island, Mich.

Two other regional meetings are scheduled for this month. Agents from western states will meet at the Hotel Del Coronado, Coronado, Cal., Oct. 14-18, and southern representatives will get together at the Grand Hotel, Point Clear, Ala., Oct. 22-26.

During the business sessions at Atlantic City and Mackinac Island, the new sales tools, developed by Lambert M. Huppeler, vice-president, and field tested by teams from four agencies, were introduced by Mr. Huppeler and Homer C. Chaney, 2nd vice-president. The new methods which were used exclusively in the field test by 57 agents produced \$5,651,000 of new life incurance in an eight-week period. life insurance in an eight-week period.

panies into the life field is a logical These companies have thousands of agents who have represented them over the country for long periods of time. Their state and special agents maintain a close working relationship with them. It is reasonable to suppose that these large agency plants will gradually begin to write their life business in the life affiliates of firecasualty companies they have represented so satisfactorily for so many years. This is not likely to occur immediately. But with the passing of time the volume from them will be impressive and, of course, all newly appointed agents will be indoctrinated with the idea of writing "across the board" for a multiple line company, even though its life company has been acquired only recently.

Ready Made Organization

In other words, the property company has a ready made agency organ-ization. It is not confronted with the very high cost of starting from scratch to build an agency staff. This is a formidable hurdle it is not obliged to encounter. Further, it can make appoint-ments through its established state and special agents, which is an additional and important saving. It can be certain of making a profit through its life company, in this way tending to reduce the total loss from property operations which may continue to be high for the next few years.

Companies which have been smart-

ing under the burden of excessive fire and casualty losses find themselves turning with relief and enthusiasm to the writing of a form of insurance that is just about certain to produce a steady, satisfying net gain from operations, year after year. Many property companies feel that an investment in a life affiliate is, for all the reasons discussed, the wisest way in which to invest a part or even a relatively large portion of their surplus funds.

On the other hand, it is not so easy to understand why life companies have turned, in several cases, to the purchase of fire or casualty affiliates. Here the picture is exactly reversed. These companies, without property insurance experience, have entered a field which in the last few years has been productive of the highest loss ratios on record. On the present basis, it offers attractions that are exceedingly doubtful, at least in the immediate future. The only understandable reason is that the life company buying a property affiliate will by this process obtain a large seasoned agency plant that would be very costly for a life company, writing life alone, to estab-

Laws Apt To Be Changed

With the trend toward multiple line, it may be possible that in some states the laws may be changed so as to permit one insurer to write all forms of coverage. For example, Ins. Co. of Oregon has no affiliates and is on a multiple line basis. Permission to operate in a similar way might be granted in other states within the next few years.

The most unjustifiably restrictive law on the books is the one in New

(CONTINUED ON PAGE 26)

Industry Should Toot for **Own Horn About** Litigation Scarcity

The life insurance business should emphasize more to the public that it is one of the businesses least involved in literation in the United is one of the businesses least involved Spea Arthur C. Rooney, senior vice-president and general counsel of North Innual American Life of Chicago, said at the annual meeting of American Life (Convention's Legal Section in Chicanory trouses

go.

Mr. Rooney pointed out that in 1940
death and disability benefits paid to policyholders amounted to less than benefits. #1.1 billion. Last year they added up to month more than \$2.8 billion. As for litigation, back in 1927 there were 394 nen. I cases litigated in the federal and state itentic courts of appeal with 170 decimals and state itentic. cases litigated in the federal and state rourts of appeal, with 179 decisions and favorable to companies as against 215 field. unfavorable. Last year there were study in only 112 cases, with 61 favorable and 51 unfavorable. 51 unfavorable.

"During this period of tremendous studying growth, there are today less than one-third third of the number of life cases four litigated than 30 years ago, and the direction of cases favorable to the company rather than unfavorable, and for the past five years has even the company than the strength of the company rather than unfavorable, and the company rather than unfavorable, and the company rather than unfavorable. for the past five years has averaged ions h 57%," Mr. Rooney said. 57%," Mr. Rooney said.

Flexibility, Not Rigidity

In evaluating the course to follow LIAMA in a particular case, Mr. Rooney adample, vised a policy of flexibility rather than his own rigidity. rigidity. Consider the problem in the has bee harm done to the company or agent rought in a particular community, the real every equities inherent in the case, the optivities of the continuity for a good action of the continuity for a good action of the case. portunity for a good settlement, the troduce expenses and fees to be incurred and men w finally, the chances of winning a law was for suit.

"I believe a law suit should not be tried unless the odds are distinctly in every a favor of obtaining a directed verdict home of judgment notwithstanding the to think verdict either in the trial or appellate and to court on the ground that the jury's which verdict is against the manifest weight average of the evidence," he said.

"In this connection I believe the Some opinion of the local counsel who will portance try the case is of great importance commis-The experienced trial lawyer on the of volume ground is generally more familiar convent with the pitfalls that may be en-earning countered and the vagaries of local up or d courts, both trial and appellate, than charges most of us home office counsel."

New York City Agents To **Honor Managing Director** Jack R. Manning At Dinner

Jack R. Manning, managing director of New York City Life Underwriters Assn., will be honored at a reception and dinner at the Waldorf Astoria hotel on Oct. 30. The dinner is being given on the occasion of his 10th an niversary with the association.

The affair is being sponsored privately by a committee consisting of Arthur L. Sullivan, Fidelity Mutua Life; Charles Anchell, New York Life Stanley R. Wayne, Mutual Benefi Life, and the 10 past presidents of the association with whom Mr. Man ning has been associated.

Employers Ins. Co. of Ala., and Employers Life have moved to the new office building on U. S. Highwa 31 south at Hoover, Ala.

Good Persistency

d Toot Specific Traits Mark ompanies Interested ut The quality business committee of HAMA has found that a company city ctively interested in conservation has

siness should ell-defined characteristics, according bublic that in John B. Pryde, director of agencies east involved Imperial Life of Canada. ry vice-press frame fram

that in 1940
that in 1940
less than older up to added up to so for litigation were 394 men. Initial training includes special and state the total and state and state the sould be soul there were Studying Their Own Lapses

tremendous than one tremendous than one life cases to uple of years, and reporting the findings and action taken to home often in the total training schools and through publications how to write persistent business and why it pays off.

4. Insisting on the individual men trudy and the first town lapses in conjunction with the manager during the first houpe of years, and reporting the findings and action taken to home often the trudy and the proposition of the proposition of the proposition with the manager during the first town in the first town

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Ala., and 330 S. Wells d to their Highway

vorable and 4. Insisting on the individual men

and why it pays off.

6. Use of some sort of persistency chart, perhaps an adaption of the company adample, Mr. Pryde said, in the case of rather than his own company, it uses one which lem in the tase been evolved as a result of analyshe possible smade of company business. This yor agent brought up to date from time to time. Yet, the real every case is rated when it is sent in se, the open the period of the course of r appellate and to take pride in sending in cases the jurys which appear to have a better-thanfest weight average chance of staying on the

believe the Some companies emphasize the im-l who will portance to everyone of premiums and mportance commissions with very little mention ver on the of volume. In their company clubs and e familiar convention qualifications the basis is be en-earnings and the figures are adjusted s of local up or down by conservation credits or llate, than charges based on the experience of the business of the agent involved.

LIFE ACTUARY \$20,000

Midwestern Life Company established 45 years ago, well over \$300,000,000 in force.

Employer's specifications—age to 45, Fellow in Society, minimum 10 years Home Office Life Actuarial experience. Background acquired with medium size company would be particularly helpful for this opening.

Outstanding aspect of position, in addition to salary, is the fact initially Actuary will be on Management team rather than functional Actuarial duties.

Absolutely confidential handling of all insisting of quiries. Employer pays entire service charge and all moving expenses.

And all moving expenses.

York Life for men with all degrees and types Life—

Benefit A and H—Fire and Casualty experience.

Write for HOW WE OPERATE. No obligation to register.

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INSURANCE PERSONNEL EXCLUSIVELY Chicago 6, Illinois HArrison 7-9040

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Condemnation Actions Due To Road **Building Boom Demand Precautions**

The enormous road-building proram contemplated by the federal aid highway acts of 1956 and 1958, which involve construction of 41,000 miles of highways over a 13-year period, is certain to have a substantial effect on the growing real estate investments of life companies, the ALC Legal Section was told at its annual meeting in Chicago.

More Property Acquired

There will be a similar effect during the same period, as federal, state and local authorities acquire more and more private property for public pur-poses, such as post offices, schools, hospitals, dams, utilities, airports, parking lots and housing. In making these statements about

eminent domain and life company investments, Churchill Rodgers, general counsel of Metropolitan Life, said that the desirability of contracting parties considering, and including in the purchase contract, provisions governing

possible condemnation is apparent.

Normally, a life company desires the option to rescind the contract and recover its deposits and all expenses in the event of condemnation proceedings, whether they are begun before or after the contract signing, and regardless of whether the condemner has acquired title by the closing date. As seller, the life company normally seeks a firm contract wherein the purchaser assumes all risk of condemna-

State Laws Help

In acquisitions for urban redevel-opment, the life company may contract to purchase property for a con-demning authority for housing con-struction under a state redevelopment law. Such laws, directed at the cure of urban blight, authorize governmental use of the power of eminent domain to acquire properties to be conveyed to the private developer. The

(CONTINUED ON PAGE 27)

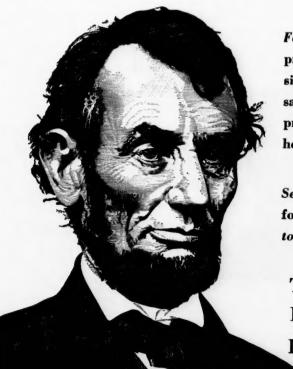
Security Mutual Of New York Releases **New Life Plan Series**

Security Mutual of New York has released a new series of life plans which involve more than 40 different forms of life coverage, including life, endow-ment, retirement income, term, term riders, family income riders, family plan dependent riders, juvenile policies and pension trust plans.

A feature of the new series, known as the "1600 series," is quantity allowance or graded premium which provides for reductions as the policy size increases. The series also provides reduced rates on a three year setback from attained age on all plans for female lives, including pension trust plans.

In the settlement option area the series permits corporate use of settlement options; application of surrender proceeds at any time; allows a beneficiary up to one year to choose the desired option with no loss of interest, and provides for an increase from 21/4 % to 21/2 % on the guaranteed inter-

A New Approach To Program-Selling



Lincoln National's Family Security Forecaster brings a new approach to program-selling. What's more, designed as a one-interview programming sale, it saves time. With it, the agent programs only the cases he sells, after he sells them.

Lincoln National's new Family Security Forecaster is another reason for our proud claim that LNL is geared to help its fieldmen.

The LINCOLN NATIONAL LIFE INSURANCE COMPANY

> Fort Wayne, Indiana Its Name Indicates Its Character

Home Office Changes

Southland Life

Two assistant vice-presidents have been named: George T. Hemmingson Jr. and John E. Owens. Mr. Hemming-son, securities department manager, joined Southland in 1952; Mr. Owens, urban loans manager, had much diversified business experience before going with Southland in 1951.

Six officers have been named: Robert W. Blevins and J. Joseph Canty became senior underwriters. Robert L. Dunn, Sam V. Griggs and M. H. Josephson are assistant secretaries and Jay T. Ward is assistant treasurer.

Mr. Blevins joined Southland in 1953, and Mr. Canty in 1948. Mr. Dunn began with the company as clerk, became an agent at Dallas in 1947,

STAR OF

THE NORTH

then served as home office supervisor, agency manager, field assistant and field supervisor since 1954.

Mr. Griggs, who began with the company in 1931, at Richmond, has been a manager in Washington, D. C., for several years. Mr. Josephson entered the A&S department in 1953, and is currently a supervisor there. Mr. Ward joined Southland in 1948 and has been assistant comptroller since

Lincoln National Life

The backfield must keep moving in this game

of selling life insurance successfully. That's why

the home office staff at Minnesota Mutual is out on the field backing up the line and demonstrating how to use sales tools that have no equals

in the industry.

William A. Drew has been named

assistant actuary. He joined Line National six years ago and beca actuarial assistant a year later.

Life Of North America

Robert L. Pope and G. Ernerains Thomas have been appointed assistance. superintendents of agencies. Mr. Pop







ion t

ich im and th

Robert L. Pope

former manager at Cincinnati, enter the life business in 1951. MIT. Indular manager at New Orleans since 195 ported has had five years' experience in per All of sonal production and field manage earch ated management. the life business in 1951. Mr. Thoma

Illinois Mutual L.&C.



Leslie K. May that pin has beel had s named vice-prest comm dent and agend director. Mr. Maunference pin will direct the This y pin will direct the This y sales activities of ... "It the company and the company and the work with thime stagency force in the to of 14 states in which tention Illinois Mutual of warran erates. He has beet the coin the insurance in the insurance in

L. K. Maupin in the insurancial is business for I business for Standard Life of Jackision a son, Miss. critic

Robert J. Greely has been appointed field supervisor in eastern Ohio. Hether G has had a number of years' insurand. Lice experience in the field.

Mother

W. O. W., Omaha

Robert L. Kirk, Omaha, has been appointed national treasurer of Woodmen of the World of Omaha. Mr. Kirk, who has been a director and auditor for two years, replaces John B. Cobb who died last month. He joined the fraternal on full-time basis as assistant general attorney in 1953.



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John D. Thompuld."
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He was nameause personnel direct in June, and wal incorpreviously in the

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Republic National Life



John D. Thomas

ich haj GULF LIFE has named Loper payers.
Lowry, former general agent at Tar One of payers of the payers of once the president.

This kind of backfield in motion puts new men into production fast . . . keeps good men growing . . . moves the best men into the end zone of advanced underwriting. This kind of teamwork has made the "Star of the North" the fastest growing mutual company. All this is backed up by a higher pay incentive contract, with an unbeatable combination of persistency fees, that guarantees growing income to the man who writes quality business. These are the real reasons why the "Star of the North" shines as a guiding light to many a career underwriter who has scored with . . .

The Agent Minded

MINNESOTA MUTUAL LIFE

Insurance Company

Victory Square-St. Paul, Minnesota



ar later.

Robert L. Pope

Mr. Thoma

ica

oined Lincol C Adopts Income Tax Resolution

(CONTINUED FROM PAGE 1)

riminatory tax preference to ain large mutuals, this question d G. Ernefains to be answered: Are stock inted assistances being taxed adequately in cies. Mr. Portion to profits? This is cold reality ongressional thinking and we must it. I believe an investment income properly drawn will meet the uirements of the situation.

For more than 30 years the life rance industry has held firmly to investment income theory of taxaand I can see nothing but danger if we abandon it. Never forget gospel: Participating premiums are ome; they are contributions of ital by members of a joint enter-se. I cannot support legislation ich imposes an income tax on capiand that is exactly what these total nnati, enter ome bills do. That way lies certain Mr. Thomaster.

Mr. Thomass since 195 pported By Studies
rience in per All of these months of study and ield management and labor have but demonstrated more clearly. ated more clearly that investment ome is the correct basis for taxa-

Hr. Lloyd pooh-poohed the conten-has beet had sufficient study by the joint

has been had sufficient study by the joint d vice-press committee of ALC, Life Insurance and agencyn. of America, and Life Insurers or. Mr. Maunference.

vill direct the This you can put down as fact," he activities od. "The tax committee has not ompany and the total income method k with the time spent in study or in any other y force in the total of proper consideration. The tass in which tention that it has done so is an as Mutual of warranted criticism of the majority. He has been the committee, a criticism which, e insurance if, is feeding the fires of suspicion e insurantie, is feeding the fires of suspicion ss for ly disunity. The committee, after g supervision and it should be commended, criticized, for doing its duty."

en appointe rn Ohio. Hether Gossip's Twins

rs' insurancar. Lloyd took a crack at what he med "that other illegitimate twin Mother Gossip, the fallacy that the vernment will settle for less in taxes m the life insurance business than as been getting, that the Treasury Congress are interested in estabing a philosophy of permanent al income taxation and are not icerned with sordid dollars."

Do you know that there are people our industry gullible enough to lieve that?" he asked. "But don't believe it. The truth is that the rennment believes that the life urance business is not paying bugh in taxes and our industry's hill is going up and going the second of the second control of the se bill is going up, and going up stically, just as surely as Congress ets next January. The important ng is to see that when the next tax is written, every company pays ording to its proper income, that company pays less than it should

company pays less than it should it no company pays more than it no company pays more than it no D. Thombuld."

Then appoint the fallacy that is being bancher president about, said Mr. Lloyd, is that y as nameause the Treasury wants total nel directionse the industry has to accept ne, and wal income.

Laws are written by Congress, not cance directions executive branch," Mr. Lloyd special relinded his audience. "I do not lieve Congress will pass a tax law ich grants discriminatory tax relief

ich grants discriminatory tax relief a small segment of our industry ich happens to include the biggest payers

d Loper ent at Tar One of the grave dangers of subassistant libing to the total income fallacy is t once its unsound principles are embraced, the cause of right thinking and proper taxation is lost. Then, total income will be seen as the Frankenstein monster it really is. But it will be too late."

Mr. Lloyd undertook to analyze the effects of HR 13707, which embodies the proposal of the 26 mutual insurers, on the incidence of taxes on various companies. His figures, based on 1957 operations, showed that for 12 large mutuals, which he did not identify by name, the total income tax was \$182,-168,000 under the present (Mills) law. Under the 1942 law, which would automatically go into effect if no other legislation is enacted next year, their total tax would have been \$267,198,000. Under HR 13707 it would have been \$155,848,000, while under the "floor" provision of HR 13707 it would have

been \$420 million.

Mr. Lloyd pointed out that the 12 mutuals paid 62.8% of all the taxes paid by life companies under the Mills law in 1957. If they had been operating under HR 13707 their aggregate reduction would have been \$26,320,000 and they would have paid only 42.26% of the aggregate.

Taking corresponding figures for six stock companies. Mr. Loyd said their 1957 actual tax was \$19,448,000. Under the 1942 law, their 1957 tax total would have been \$26,669,000, while under HR 13707 the total would have been \$31,423,000.

"So, you see," he said, "the 12 mutuals would have paid substantially less under HR 13707 than under the Mills law, but the six stock companies would have paid \$11,975,000 more under the proposed total income bill than under the Mills law and \$4,754, that same stiff and discriminatory medicine applies to the small stocks

under the 1942 law it would have National Employee Benefit Services Names Marsh V-P

Herbert B. Marsh, formerly John Hancock general agent at Fresno and associate general agent at San Francisco, has been named vice-president of National Employee Benefit Services.

Mr. Marsh was northwest group manager for John Hancock, and has had much experience in group and pension sales in the western states.

Congress of the United States in support of a bill which produces such indefensible results. And these figures, mind you, do not represent the reductions which could be maneuvered legitimately under all of the avenues of maneuverability available under the total income method.

Dividends Up. Taxes Down

"For example, here is the item of 000 more than under the 1942 act. And dividends to policyholders. How can it that same stiff and discriminatory affect taxes? To return to the figures, the company labeled Mutual F in the been \$129,404,000. The total tax paid as well as to the big ones.

printed copy of this speech would have paid more under HR 13707 than it paid Mills law was \$290 million, while Life Convention dare not go to the under the Mills bill. That company's

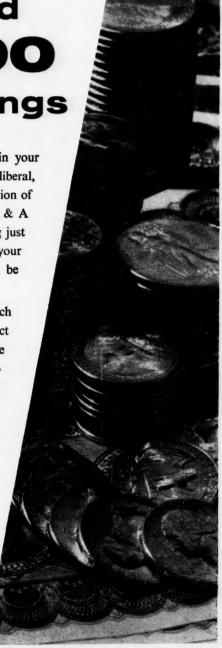


Substantial extra earnings are well within your reach when you offer your clients the liberal, high-quality income-replacement protection of State Mutual's Individual Non-Can S & A Coverage to Age 65. Fact is, for selling just one average size policy per month, your earnings at the end of 10 years will be in excess of \$20,000.

> In addition to many hard-to-match features, this Non-Cancellable contract pays your clients a monthly income of \$100 to \$300 for an entire normal working career - or for life if disability is caused by accident.

For full details, get in touch with your nearest State Mutual Agency or write the Home Office in Worcester, Mass.

STATE MUTUAL LIFE ASSURANCE COMPANY OF AMERICA



dividends in 1957 were 66.7% of its net gain. The others listed in the printed copies paid out a higher per-centage, from 73.6% to 89.8%. All that Mutual F has to do to cut its taxes is to increase its dividends.

"This would produce an unconscionable and intolerable situation which can not only deprive the government of taxes but can upset completely, unfairly, and with dire results the competitive situation in the entire life insurance industry."

Mr. Lloyd declared that his com-

pany's competition-and that of every other company—is not primarily with stock companies but with the other mutual companies.

Dividend Scales Crucial

'Our problem," he said, "is meeting their estimated dividend scales. To the extent that these are determined by mortality costs and expenses of opera-tion, we ask no quarter. However, a tax discrimination in what we have always said was the true income of a mutual company, to wit, the profits

earned and distributed from the investment of policyholders' funds, is a horse of an entirely different color. is particularly true when the distribution of such investment profits, which are taxed on a discriminatory basis, accounts for more than twothirds of the dividends paid by most

of our big mutual competitors.
"If mutual companies can deduct
the dividends paid to their policyholders-and total income provides for this-they can use government tax dollars to sweeten the dividend. Every

dividend dollar will represent 52 c_{ds}, to f money which otherwise would barroll been paid in taxes to the fed for government. Forty-eight cents will are money not payable as taxes." road

Quotes Subcommittee Report

Mr. Lloyd suggested that the atuing cates of total income read the following passage in the 1955 report of tax reways and means subcommittee on the tax reways are ta ways and means subcommittee on tax in company taxation: "Suggestions been made for formulas which will be to some amount claimed to be distributions of mortality gains (price at the total price at the to interest earned by the company."

"Even if Congress should blithely over the facts of life consider the mirage of total incompany." It am target to this element of excess interest mutual dividends can hardly except taxation," said Mr. Llovd. taxation," said Mr. Lloyd.

The speaker said that line 33 page 4 of the annual statement been called by the Treasury evious "starting point" for measuring the int tax "starting point" for measuring are easury earnings of life companies. This is easury line showing the net gain from oped all the tions after dividends to policyhold ans postal incompanies.

Still The Focal Point

"Information coming to me abspressin the conferences last week with y Seci Treasury is to the effect that this of still the focal point of Treasury this By: ing," said Mr. Lloyd.

With legislation along these lin right t "a life insurance company with a povention or 10% surplus over reserve intere facts requirements of 2.5% could run out in dividends up to a point where its tave ther would be de minimis," he said. Wiproache does this mean competitively to tome." company writing participating Turning insurance which faces daily the necks in sity of building surplus and of meet reserve interest requirements whare higher than 2.5%? Such a co pany cannot meet competitively dividends which would be paid by large, rich companies under income."

Cites Big Variance

Mr. Lloyd said a study of 1 operations of six of the largest mu als showed that some of them had much as 45% of their investmearnings free of taxes to distribut dividends to policyholders. In same year there were also compa which had nothing from investr income to distribute to policyhold

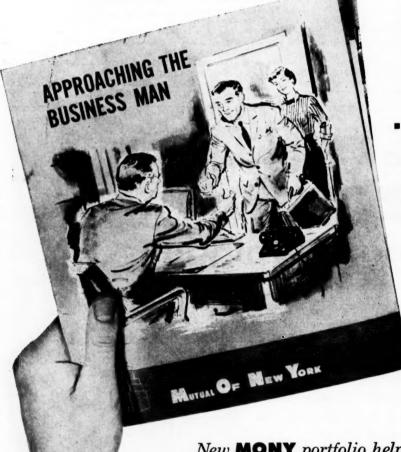
"This matter of the destruc power of competitive dividends inherent in the total income sys and if such a system is adopted the could be many, many good life in ance companies dividended out of business. And if there were no of reason for the big mutuals to opp total income than the dire possibili of destructive competition in d

New Air Trip Rules In Va

State corporation commission of ginia has approved new regular on air trip insurance sold three vending machines and on life pol containing coupon benefits. The air trip cover rules require that ing machines be kept in order that each machine be supervise an individual agent to protect public and to make sure that po provisions are clear to the purch

Regulations on coupon bearing policies were designed to prevent leading statements which would buyers to believe that they were ing deposits in savings account purchasing a bond or similar in ment.

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The Mutual Life Insurance Company Of New York, New York, N.Y.

For Life, Accident & Sickness, Group Insurance and Pension Plans Report

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ounts Visit To Treasury

hat line 33 Mr. Lloyd said that during the statement Mr. week a subcommittee of the Treasury evious week a subcommittee of the asuring the nt tax committee had visited with asuring the reasury and ways-means technicians dies. This is feasury and ways-means technicians, ites. This is feasury and ways-means technicians from open all the reports are that the technicin from open and the policyhold and position is that they are for the policyhold income method of taxation until all income method of taxation until can be proved that it will not work. to me appressing great confidence in Treasweek with the Secretary Anderson, Chairman et that the secretary Anderson, Chairman et that the secretary than Byrd of the Senate finance mmittee Mr. Lloyd said: "They have mmittee, Mr. Lloyd said: "They have

mmittee, Mr. Lloyd said: "They have in right to expect the American Life any with a onvention to give them the facts—all eserve intere facts—about total income and could run out investment income, and if we where its tare them the entire story of both he said. Wiproaches, I have no doubt of the itively to tcome." iticipating Turning to what he called the gimality the needs in the total income bills, Mr. and of meet.

and of meet

epresent 52 ods, that, in my opinion would be wise would barrolling factor. to the few for with total income taxation, the cents willy are walking right straight down taxes." road to monopoly. Many, many staxes." road to monopoly. Many, many stitute structors of LOMA is staxes." Total Tax of the companies and these Companies and the companies are companies and the companies a

Eighteen instructors of LOMA institute study classes, representing 12 U. S. life companies and three Canadian, attended a three-day seminar at LOMA headquarters in New York. Included in the program were demonstration sessions and an evaluation of

the seminar by the 18 instructors.

James H. Kohlerman, educational, director of the institute, and R. W. Lederer, associate educational director, conducted the seminar which covered subjects allied with the efficient teaching of courses held each year in the U.S., Canada and a number of foreign countries under the sponsorship of the institute.

Lloyd said that those who conferred with the Treasury and ways-means technicians in Washington found that "these gimmicks which make the total income bills so attractive to their sponsors already are eliminated in government thinking. Without these special deductions, total income would be as unpalatable to the mutuals which now seek them as they are to the rest of us."

Condemns 'Floor' Feature

Mr. Lloyd was outspoken in his condemnation of the "floor" provision in HR 13707, which he said makes all companies pay some taxes regardless of the results of their operations.

"It is a basic principle of income taxation that if an enterprise develops taxable net income-which is another way of saying if it makes money—it pays taxes," he said. "If it doesn't, it pays no taxes.
"That principle is fundamental. It

seems unthinkable to levy an income group fields and do not generate much tax on an enterprise which had no taxable income. Yet the floor would do exactly that. Passing over the impracticality of such a method of taxation, I pose this question: If the total income method is a proper way to tax a life insurance company, why the floor?

Would Prevent Failure

"By way of answer, I am told there are two functions of the 'floor.' One is exact taxes of certain companies which are wholly in the term and business should be taxed on some

in the way of investment income. The second is that because of the effect of policyholder dividends, under total income, a company might avoid pay-ing any taxes at all or pay such ridiculously low taxes that the government would abandon the system. Ergo, we must have a floor to prevent total income from being the failure that everyone knows it will be."

Mr. Lloyd said that as to the first point, he would agree that life com-panies strictly in the group and term

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profit figure based on underwriting and operating experience. As for the floor, so that mutual companies won't "dividend themselves clear out of the tax picture," Mr. Lloyd reiterated his statement that the 12 big mutuals which paid 62.8% of the total life company taxes in 1957 would, under HR 13707 pay 42.46% less than under the Mills act—"and a watered-down Mills bill is the floor!"

"I am quite sure," he said, "that the United States government will

the American Life Convention asks the government to buy it, the convention will stultify itself and will dishonor the cause that it has up to now so properly represented before Con-

"These proposed total income bills contain certain shiny, glittering, and illusory pretties which may have a false appeal to small companies and those which do not have large surpluses, but they are not likely to get through the congressional colander;

other basis than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of Farm & Home Ins. Co. of India the first than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of India the first than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of India the first than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of India the first than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of India the first than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of India the first than total income or in- not buy that fancy package of mer- they already have been challenged at Farm & Home To Hold Open House, of India the first than the India the India the first than the India the Treasury and by the technicians. These devices are apt to be deceptive, but we should all understand that the chance of their being left in the bills

Some Might Accept It

"I suppose there is some danger, however, that a few companies might fall for them. But let me point out to you that when you flirt with total income because she is dressed up in these alluring clothes, you may win the girl but when you get her out in

polis will hold an open house Chicago Oct. 31 to mark the rec which opening of its new executive off in Life at 7 South Dearborn street there are a ri Olsen, vice-president, and Louis afficit Wayne, director of agencies, head "I am office, and Philip Meade, president only will also establish an office at surre Chicago location. ng. If

the light, you will find that you bress is bought 52% of line 33 of page 4 of gressi annual statement blank. And there stand, face to face with ruin," ifficult

stand, face to face with ruin."
As to what ALC should do, Lloyd said:

"Today, unity is threatened been unfortunately the Temporary Mun Tax Committee has gone its way. Presid while its members are large computal of ies, they represent, at most, but of the Taxatio small number out of more than thousand life insurance companies wish they would join us; I urge the ublic 6 to do so. But if they will not, we main at can form a phalanx in defense of right principles for our business and rather our millions of policyholders. our millions of policyholders. imple

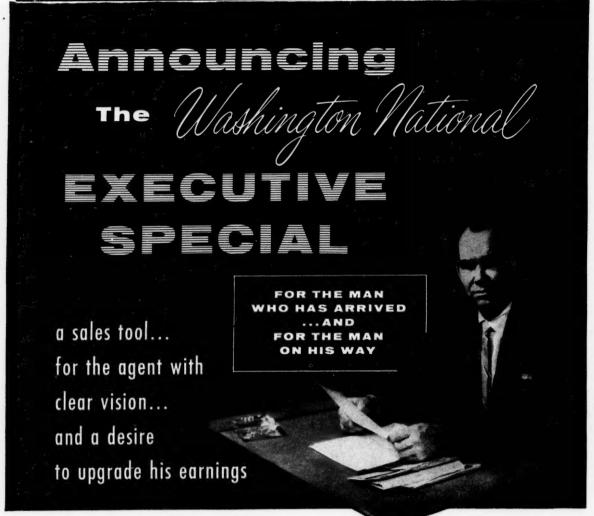
very F "Today, the entire industry is log nsuran ing to us for leadership. We yet he axed." time to present convincing truth ion cle time to present convincing truth have an Congress and to win some measure justice in the solution of this vexati problem. I believe this conventi should adopt a strong and clear-quurder resolution urging the executive bran of government to advocate and cometh legislative branch to enact some for bolitical of taxation upon the investment standpo

come method.

"I believe that the resolution shores that also urge the Mills subcommittee big bus also urge the Mills subcommittee big bus also urge total income proposaid M also urge the Mills subcommutee and Missorutinize these total income propostal and proposition of their very thoroughness they will such a the utter impracticability of the adoption and the viciousness of things and the utter industry.

"I believe that we should not taction a position for any specific investme bette income bill yet proposed but shot hey nraise our standard upon the principle act so long, so ably, and so prope demonstrated, that investment income is the only right any specific investment income to the property of the p is the only right way to tax a l insurance company and put our tampai committee to the task of developing tressir investment income bill which will lenutual taxes adequately, simply, and just bjecti "Our fellow organizations, the Last ar

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Id Open House, of Life Companies already are Co. of India the field in defense of the principles open house which they and we believe. Let it mark the rever be said that the valiant Americacutive of In Life Convention was afraid to fight treet there by a righteous cause or that it would and Louis affic in appeasement.

Encies, head "I am not afraid of the outcome. I eade, preside only afraid of delay, of vacillation and preside of the outcome."

Long Island Casualty has statement with Securities & E commission seeking registra 100,000 shares of \$2.50 par stock which it proposes to be added to the outcome.

eade, presiden only afraid of delay, of vacillation office at r surrender to the total income siren ong. If we have the courage to carry ong. If we have the courage to carry ur cause to every member of Conorf page 4 of gressively we will win a proper the ruin."

Should do.

If we have the courage to carry member of Conorf page 4 of gressively we will win a proper the ruin. "Ifficult problem." should do.

LOUIS DAWSON

atened becar

porary Mut President Louis W. Dawson of Mupresident Louis W. Dawson of Mularge computer of the Temporary Committee on the transition of Mutual Life Insurance companies Discussing the committee's companies Discussing the committee's sis; I urge the public education campaign, he said the rill not, we main aim is not to explain the technical companies of life insurance taxation but siness and to the entire Congress, a few simple ideas that will counteract the simple ideas that will counteract the ne its way. very prevalent view that mutual life dustry is loo marriance companies are now underb. We yet he laxed." A public survey of this quesneing truth ion clearly showed that where people
me measure have any opinion on the matter at all,
it this vexation beginning to the life insurhis conventioned with the life insurhis conventioned with the later of the later has a sixthered with the later of the lat

this vexation hey generally the series of this vexation is conventioned business is "getting away with and clear nurder" on federal taxes, he said. ecutive brain "We are asking Congress to do coate and comething that is very unpopular act some foolitically—even dangerous from their standpoint—namely to reduce or not to increase the taxes paid by companion to incre they will such action unless there is public lity of the enthusiasm for it. That meant some-sness of thing must be done to educate the public on the reasonableness of such ould not taction. We must provide Congress with fic investme better climate of public opinion than do but shorters now have, as a background for the principle action we are requesting.

so prope to Stressing Differences to tax a "In conducting our put our tampaign, we have no intention of developing tressing the difference between the hich will enutual and stock companies. Our y, and justificative is to make the public and ions, the Last analysis, the burden of federal the Nationarms traces in a mutual life insurthe Nationncome taxes in a mutual life insurnce company falls solely on policy-

> "The campaign will also point out ome of the serious inequities that exist, such as the double load of ederal and state taxes; the unfairness of measuring the policyholders' tax at corporate rate; the way in which the ax burden on policyholders has been ncreasing out of all proportion to the frowth of the business, and the fact hat income from life insurance funds s now more heavily taxed than inome from any other form of thrift or

OWNE, in sees Good Over-All Result

"We must necessarily talk in terms of mutual companies, but we believe the net result of such discussion and NEW YOU nlightenment may be to restrain any indue increase in taxation that might therwise adversely affect both mutual and stock companies alike . . .

"We recognize that HR 13707 is not GEMENT
ANCE BUSINES

perfect bill; but what tax bill ever
net the criterion? If anyone yet comes
forward with a more acceptable bill I
still RFINARE

Im Sure our group would lend their
NEW YORK IT.

The present coperation and support. The present

Long Island Casualty has filed a statement with Securities & Exchange commission seeking registration of 100,000 shares of \$2.50 par capital stock which it proposes to offer at \$6 a share to holders of the outstanding 55,975 shares. Proceeds of the of-fering would enable the company, which has been writing A&S business in New York state since May, to expand operations.

The offering will not be underwritten, but the company may pay com-missions up to 45 cents a share to broker-dealer firms assisting in the sale. Franklin D. Roosevelt Jr. is chairman, and Bertram Harnett is president of the company.

bill, however, is one which, in its general aspects, appears reasonable and workable under present conditions; and it would end the perennial uncertainty about taxes that has been a bugaboo for our entire business in

Would Cause Adjustments

"Inevitably, it would cause some adjustment of taxes in individual companies. Almost any new bill would do that. The adjustments, however, do not seem unacceptable to the great majority of mutual companies that have applied it to their operations.

"We seek support of the bill from all companies-stocks as well as mutuals —that believe it offers the most acceptable tax we can hope to obtain the life insurance business."

FRAZAR B. WILDE

Frazar B. Wilde, president of Con-necticut General Life and of Life Insurance Assn. of America, said the lack of a plan of taxation having the backing of the overwhelming majority of the industry is "serious but not necessarily fatal." He took an optimistic view, saying the statement adopted by the joint tax committee (reported in last week's issue) is "an excellent augury

Mr. Wilde remarked that the public relations of the life insurance industry in other areas has made "marvelous progress" but not in connection with

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federal income taxation of life companies. He opined that it was because of the huge aggregations of assets, and it is in the American tradition that such aggregations are suspect. The assets are counterbalanced largely by liabilities, but too many members of the public and Congress don't seem to realize this.

He said it was the opinion of the LIA board, which recently adopted a resolution favoring the exploration of various taxation approaches, that the joint tax committee should explore,

analyze and study to the end that a pointed out that Life Insurers Con- that would not produce as my decision could be reached by the industry based as little as possible on emotion and as much as possible on facts and evidence.

RICHARD EVANS

Richard B. Evans, president of Colonial Life and of Life Insurers Conference, restated the position of the LIC, which was expressed in a recently adopted resolution to oppose anyth ag but the investment income that it is "politically naive" to believe basis for taxing life companies. He that Congress will enact any measure

with this Money-Making Magnet!

ference is made up of 91 combination companies and constitutes a large majority of all combination life companies.

J. J. O'CONNELL JR.

J. J. O'Connell Jr., Washington counsel for National Assn. of Life Companies, said his organization is emphatically in favor of the invest-ment income approach. He declared that it is "politically naive" to believe

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income tax as the present law.

Advocating the same basis as is no in the present law, Mr. O'Connell sa that although it had been terme "stop-gap" it was actually drawn permanent legislation and was ena for only a single year solely became the Treasury thought it could come with something better if given more

NALU Social Security Slide Kit Is Revised

"Can We Have Sound Social Secur ty?"-a 26-minute slide present produced by National Assn. of I Underwriters, is being revised to in clude information on the recently e acted social security amendments.

director, said the revised narrative being recorded on tape. Approximate ly 500 associations and individual now owning the slide presentation kit are being asked by NALU to with hold further showings until revision are completed, which should be about Dec. 1.

will be given complete substitute scripts and slides for those that an outdated as a result of changes in the law. There will be no charge for the revised material.

gin name receive substitute tapes without charge if they send their present tapes to NALU headquarters, 60 13th street, N. W., Washington, D.C. receive substitute tapes field New tapes will be available at cos Chica to others.

Manhattan Life Has Record ager. Summer Sales Campaign

Manhattan Life's annual Fordyo summer campaign in June, July and August broke all existing records to which honors J. P. Fordyce, chair Rober man, the field force paid for a total of \$62,245,321, a 20% gain over lat year's figure. Of the total sales, \$41. 001,437 was ordinary life and \$21,243

Engla 405 established a monthly sales re ord, and showed a gain of 56% ov group the same month last year. later

Sioux City GAMA Enlists 100% Of Membership In G

Sioux City General Agents & Man agers Assn. has become the 135th loc association to have 100% membershi in General Agents & Managers Cor ference of National Assn. of Life Un derwriters.

According to Leonard T. Smi membership chairman of the confer ence and manager of Prudential a Providence, 91% of all local and state management association now colle GAMC dues automatically with lo association dues and have 100% n bership in GAMC.

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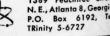
Fred C. Adams, Sup't. of Agents

Lester O. Schriver, NALU managin Current owners of the slide kit Also, owners of the present tape recorded versions of the narrative wil In June ordinary sales of \$14,882

884 was group life.



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Changes In The Field

Paul Revere Life



Wm. M. Boulware

William M. Boulware has been named general agent for Paul Revere Life and Massachusetts Protec-Association. He joined the companies at Louis-ville in 1951 and five years later became agency su-pervisor. In 1957 he was appointed regional training supervisor for the southern region.

Pacific Mutual Life

Mark B. Conolly has become agency manager at Columbus, O. He formerly was district manager in the Cleveland-Youngstown area.

E. Douglas Cochran is the new manager at Richmond for Pacific Mutual. He was formerly assistant manager for a life company ose that an phis.

narge for the Berkshire Life

Patrick E. Higparrette E. Hig-pin s h a s b e e n named g e n e r a l agent at Louisville. agent at Louisville. heir presen He entered the life uarters, 60 field in 1953 with field in 1953 with ington, D. C New York Life at able at cos Chicago where he was later appointed assistant mans Record ager. He joined Berkshire Life early this year and was assigned to the home office to as-



g records for sist in agent recruiting and training. Malcolm S. Kieborn and Wayne Roberts have been appointed supervisors at New York.

Mutual Benefit Life

1 sales, \$41. Joseph T. Carberry has been ap-pointed group manager of the New and \$21,243. England district with headquarters at Boston. He began his career in the group field in 1951 with New York Life at the home office and four years later was named manager at Newark. In 1956 he joined R. P. Burroughs, Inc., group consultants, first at New York and more recently at Boston. ip In GA

General American Life



Vernon L. Woodrum has been appointed head of a new general agency in Akron. He has been district manager for the company since 1956 in Akron, associated with J.
William Van Horn agency of Cleveland.

Thomas A. Repp has been named

agency organizer in the St. Louis ageneies. He succeeds Roland H. Lefebure, now associate general agent for the company in Cedar Rapids, Ia.

Home Life

The New York-Pratt agency, headed by Clifford O. Pratt, has shifted its center of operations from White Plains to New York City. The agency will

continue to maintain branch offices at White Plains and Westport, Conn. Mr. Pratt joined Home Life at New York in 1947 and became educational director in 1948. In 1951, he was named assistant manager of agencies at the home office and manager at White Plains a year later.

American Life Of New York

The Boklan agency at New York, headed by Albert A. Boklan, has been appointed the first general agency of Amer-ican Life of New York, an affiliate of American Surety. The agency has large brokerage following and maintains a branch office at Newark.



William P. Grant, Lawrence Johnson and George Richwine have been named superintendents at Detroit, Minneapolis and Indianapolis, respectively.

Connecticut General

Russel E. Larkin, manager of the 41st street and the Broadway agencies at New York, is retiring to devote himself full time to personal production. Patrick T. Cahill succeeds Mr. Larkin at the 41st street agency and George H. Greason becomes manager of the Broadway agency.

Mr. Larkin joined the home office staff in 1921 and four years later was named assistant superintendent of

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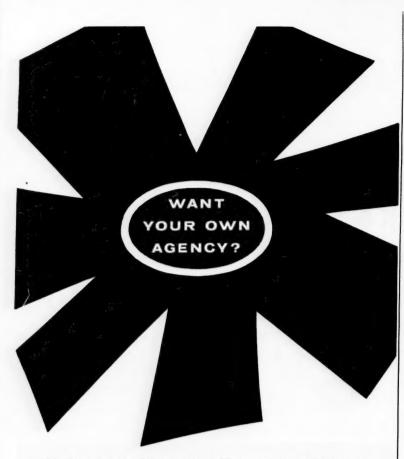
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agencies. In 1937 he was appointed manager at New York. Mr. Cahill, who has been assistant manager of the 41st street agency, joined the company at New York in 1945. He is a CLU. Mr. Greason, former manager of the brokerage department of the Broadway agency, has been with the company since 1941.

All American L.&C.

Henry F. Hine has been named agency manager in Denver. Mr. Hine has had 27 years of insurance perience. A d d i-tionally, he is on the staff of instructors for American College in Denver and has specialized in insurance and pension problems for



Henry F. Hine

military career personnel.

Mutual Trust Life

William C. Babecki is new general agent at Chicago. He was brokerage supervisor for Mutual of New York before going with Mutual Trust, and began his career as agent of Ohio National.

Arthur L. Davis becomes general agent at Waterloo, Ia., where he has been a special agent of Occidental of California for the past five years.

State Mutual Life



J. Edward Amirault has been named manager at Providence. He entered the life business in 1954, and has had supervisory responsibility since 1957.

J. Edward Amirault

Prudential

Orville B. Spencer has been named manager at Columbus to succeed John J. Krejci, who has retired. Mr. Spencer has been manager at Lorain, Ohio.

Convention Dates

Oct. 22-24, Life Advertisers Assn., annual meeting, Queen Elizabeth hotel, Montreal.
Oct. 23-25, Midwest Management Conference,
French Lick, Ind.

French Lick, Ind.
Oct. 27-29, Health Insurance Assn., individual insurance forum, Drake hotel, Chicago
Nov. 6-7, New York State Assn. of Life Underwriters, fall delegate meeting, St. Moritz hotel, Lake Placid, N. Y.
Nov. 10-13. Life Insurance Agency Management Assn., annual, Edgewater Beach hotel, Chicago.

Nov. 19-21, Institute of Home Office Under-writers, Hollywood Beach hotel, Hollywood Beach, Fla. Nov. 20, Insurance Federation of New York, annual, Waldorf-Astoria, New York City.

Dec. 8-9. Assn. of Life Insurance Counsel, winter meeting, Plaza hotel, New York.

Dec. 9. Institute of Life Insurance, an Waldorf-Astoria hotel, New York City.

Dec. 10-11, Life Insurance Assn. of America, annual. Waldorf-Astoria hotel, New York. Dec. 15-19, National Assn. of Insurance Com-missioners, migwinter, Roosevelt hotel, New

oriesms, mawine. Roosevelt hotel, New Orleans.

Dec. 28-29, American Assn. of University Teachers of Insurance, annual, LaSalle Hotel, Chicago.

Feb. 20-21, New York State Assn. of Life Underwriters, general agents and managers meeting, Gideon Putnam hotel, Saratoga, N. Y.

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Ways Should Be Found To Own More Common Stocks, McDiarmid Tells Actuaries

(CONTINUED FROM PAGE 2)

from 20% to 43%. Reduced to dollars this period was 25%, a growth which did little more than keep pace with the growth in the population in this period, said Mr. McDiarmid. On the same basis, term and group insurance increased 276%.

Inflation Fears A Cause?

"To what extent this swing toward term insurance has been due to inflation fears and to what extent it has been due to other factors such as the growth of pension plans and other types of social security is diffi-cult to say," Mr. McDiarmid said. "In any event, it has had its effect on the asset growth of life insurance companies. The annual growth of these panies. The annual growth of these assets increased at an irregular rate to reach a peak in the year 1954 of \$5,946,000,000. Thereafter it declined each year through 1957 when the growth was \$5.3 billion, a drop of 11% from 1954. In view of the rising trand of dellar incomes and sayings trend of dollar incomes and savings of individuals over this period, it seems that life insurance has tended to become a less favored medium for the accumulation of savings than formerly.

Pension Funds Buy Stocks

Mr. McDiarmid pointed out also that uninsured corporate pension funds in this country have become heavy purchasers of common stocks

Check Processing Speeded By Massachusetts Mutual's **New Punch-Card System**

A new punch-card system for preand auditing an estimated 40,000 monthly income checks for life insurance beneficiaries, annuitants and retired group insurance members or their beneficiaries has been installed by Massachusetts Mu-

Unlimited Mechanical Capacity

The company said the new system has practically unlimited mechanical capacity and is geared to absorb increasing business with a minimum of additional manpower. It will also enable the company to improve internal efficiency of its operations and give more economical service to an esti-mated 60,000 recipients of income checks who receive them on a monthly, quarterly, semi-annual or annual

Another anticipated improvement will be the complete preparation of annual income tax information for policyholders by machine processes.

Manufacturers Life To Raise Dividend Scale

Manufacturers Life will increase its scale of dividends to policyholders, effective Jan. 1, 1959. This will be the fifth consecutive year that dividend rates have been raised.

Also scheduled is a 1/4 % increase in interest rates to be paid on dividends on deposit and on policy proceeds left with the company under settlement options subject to surplus interest. ests. The new rate of interest will be

insurance, including group, increased and, on a relative basis, these stocks are the most rapidly growing part of of constant purchasing, the growth in their assets. These funds had 24.7% of life and endowment insurance over assets in common stocks at the end of 1957 as against 1.3% for life companies.

"The ultimate justification for investing life insurance reserves largely in contractual obligations payable in a fixed number of currency units must lie in one of two assumptions," said Mr. McDiarmid. "Either the currency unit is expected to fairly well maintain its value over extended periods of years, or the fixed rate of return received is designed to contain an element to offset the declining real value of the principal. To rely on the latter premise might prove unsatis-factory since it requires an advance judgment of the rate of expected inflation and it might require the imposition of interest rates which would appear usurious.

Search Is Warranted

"Therefore, if in the future money does not promise to serve as a reasonably satisfactory unit of long-term account-there is no such thing as a perfect one-we are at least encouraged to search for more satisfactory repositories of value than contractual investments payable in money. To accomplish this is not likely to be an easy task, and it is not to be expected that it can be accomplished to perfection. However, because a task cannot be performed perfectly is not a good reason for failing to attempt it at all."

Mr. McDiarmid said that real estate, if it is to serve as a substitute for

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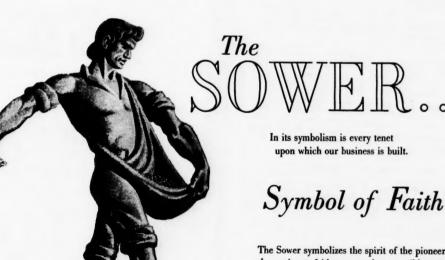
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BANKERS LIFE OF NEBRASKA

contractual money investments, could fixed dollar basis as in the past and not be subject to long-term lease rental payments in fixed amounts of dollars, but should have rentals geared to the earning power of the property or else subject to frequent adjustment. This leaves equity investments as "probably the best large-scale medium available" as a hedge against inflation even though not a perfect hedge.

Common stocks might be introduced into life insurance by companies conat the same time adding substantially to their common stock holdings. This would involve changes in state investment laws and also some "smoothing" formula for valuing common stocks. Fortunately, he said, a valuable precedent was recently set in such a formula for preferred stocks.

"Such a suggestion seems no more radical than the long-accepted practice of valuing bonds in good standing tinuing to sell policies on the same at amortized values even though these

values may for long periods differ widely from market values," he said. "Many bonds purchased during the low-interest period of the 1940s and early 1950s have for extended periods since that time been selling much below their amortized values, sometimes as much as 20% below."

Far-Reaching Suggestions

As a more far-reaching suggestion which would involve some basic technical changes in the nature of the life insurance business, Mr. McDiarmid offered the following:

'Certain new types of policies might be issued involving both guaranteed fixed-dollar benefits and also benefits which would depend upon the results obtained from equity investments," he said. "Take a 20-year endowment policy. This can be broken down into a 20-year term policy and a 20-year pure endowment policy. The 20-year term part could have its reserves set up in the traditional way and invested entirely, or very largely, in fixed-dollar media so that the full face amount of the policy could be guaranteed in the event death occurred prior to maturity.

'The pure endowment reserve, however, might be invested all or in substantial part in equities, equity investments to consist of participating shares in the company's entire common stock portfolio. While the amount payable at maturity would be a variable number of dollars depending upon the behavior of the common stock account, it would seem that the company could without much risk guarantee some minimum amount depending upon the proportion of the pure endowment reserve invested in equities.

"If this reserve were to be invested entirely in equities, such minimum guarantee might run as high as 80% of the face amount of the policy without much risk to the company while a partial investment of the reserve in equities would permit higher percentage guarantee.

"A new type of 20-payment life plan might also be devised along somewhat similar lines. The premium and reserves would be broken down into those applying to a 20-year term policy and to a life policy deferred for 20 years. The 20-year term reserve would be invested in fixed-dollar media to provide for the payment of the face amount of the policy if death should occur in the first 20 years.

Deferred Life Reserve

"The deferred life reserve could be invested entirely or in substantial part in equities which again might take the form of participating shares in the company's common stock account. The amount payable after 20 years would greater or less than the face amount of the policy, depending upon whether the reserve accumulated in such participating shares was worth more or less than the conventional reserve. Here again some substantial minimum guarantees might be made without material risk to the company. At the end of the 20-year period the insured might use the then current value of the reserve to purchase paidup insurance of a fixed-dollar type, economic conditions at that time

seemed to make this a desirable move.
"There seems to be no good reason why the same line of thought could not be carried into ordinary life policies. Part of the premium would be used for the first 20 years to purchase



Personal Production And **Earnings Increased While Building An Agency**

Mr. George Bernstein Miracle Building 220 Miracle Mile Coral Gables, Florida

Protective Life established a new agency in your town when you were appointed General Agent the latter part of 1955. You enjoyed immediate success with our Company. In addition to increasing your personal produc-

Mr. George Bernstein Miracle Building 220 Miracle Mile Coral Gables, Florida

Dear George:

Congratulations are still in order!

When I wrote you the attached letter in February 1957, I predicted that your earnings for that year would exceed your 1956 income by a good percentage. They certainly did; but my prediction of a "good percentage" was an understatement.

Now I note with considerable pride and satisfaction that 1958 will be an even better year for you as your commissions and overriding continue to show steady

It's interesting to note that when you came with Protective Life the latter part of 1955, the Company had \$750,000,000 of life insurance in force. Today we have more than a billion dollars of life insurance in force.

While we believe that our methods, our policy contracts and our sales material have been instrumental in makand our sales material have been instrumental in making your record and Protective Life's record possible, we fully realize that the greater share of the credit is yours and the others like you who have served so well for so long.

I want to tell you again how fortunate we feel in having you represent Protective Life. There are any number of good companies with whom you could achieve life insurance success. Protective Life is grateful that you are aways in the chance to provide you the that you are giving it the chance to provide you the opportunity.

Your sincere good friend,

william & Rushton

William J. Rushton

President

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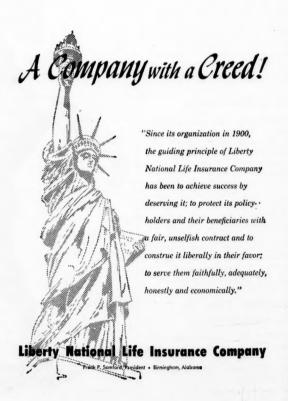
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a fixed dollar 20-year term policy. equity shares to go toward the building up of a deferred life reserve at the end of 20 years, to which the premiums collected after 20 years would continue to contribute. The amount payable after 20 years would be a variable amount depending on the dollar value of the equity shares in the reserve.

Reason For 20-Year Basis

"The reason for selecting 20 years as the initial term in all of these cases is because experience has shown, that except in the most unusual circumstances, a reserve intelligently invested in equities over such a long period will tend to represent a larger dollar accumulation at the end of the period than a fixed-dollar reserve. For shorter periods one cannot feel so confident of this. For those insured who cared less for a fixed guaranteed amount for a long period of years and who were prepared to more fully and immediately trust themselves to an equity position, a shorter initial period of fixed term insurance might be in

Mr. McDiarmid took issue with the stocks would be issued and the supply knowledge, judgment, and a healthy amount of suspicion. It will include a The remainder would be invested in often expressed fear that there is such small volume of blue chip stocks that if life companies were to concentrate on these stocks the market price would go up so much that they would no longer be attractive. He said that there are actually many stocks in which a life company might invest under proper conditions. In the electric utility field there are about 130 companies of some stature, of which at least 105 have annual revenues exceeding \$10 million. Moreover, stocks of some of the smaller companies have been better buys than stocks of the larger utilities.

All Are Just Media

"One should not lose sight of the common stocks are simply media through which savings flow into investment," he said. "The supply of no class of such media is fixed in relation to the others. Bonds are issued only because there are people who will buy them. If bonds and preferred stocks could not be sold readily, or if they could not be sold other than on a very high yield basis, then more common

Mr. McDiarmid did not minimize the problems for a life company investing in common stocks, as compared with fixed dollar investments.

"It is probably a fact that the intelligent handling of common stocks and other types of equities requires a higher and somewhat different type of investment skill than that required in the purchase of fixed-dollar media," he said. "This skill, which is a purely

blending of daring with caution, along with much patience and a basic humility. It is no field for a perennial optimist or a promoter.

An Hour-To-Hour Problem

"The handling of a common stock portfolio is a day-to-day and hour-to-hour proposition. Therefore, a good deal of responsibility as to the selec-tion and buying of an individual stock relative thing, will be compounded of must be placed in the working invest-

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ment staff. Until this staff has been built up to a level where it has the confidence of the management, the carrying out of any common stock program will be difficult. It is different from the case of bonds where individual purchases may be authoriized at periodic meetings of a finance committee and comparatively little discretion left to the investment staff."

Mr. McDiarmid said that probably the greatest safety factor a life company can find in investing in common stocks is the element of diversification. that is, diversification among industries and also among companies within an industry. This doesn't mean that all industries, no matter how unpromising or regardless of the price of their shares, should be represented. It does mean, he said, that enthusiasm for any one industry or company should be kept within bounds to the point so a disproportionate amount is not represented by it.

Included among the other papers presented were the following technical discussions: "The Preparation of Interim Accounting Statements Using Electronic Data Processing Equipment," by John T. Birkenshaw, assistant actuary Confederation Life, and J. Craig Davidson, executive secretary of Confederation; "Extended Term Insurance Consistent with Fully Paid Insurance Calculated on a Different Basis," by Elgin G. Fassel, senior actuary Northwestern Mutual Life; "Actuarial Note: Cash Values and Reduced Paid-up Insurance," by Thomas J. Hummel, assistant actuary and John A. Stedman, assistant mathematician of Union Central Life; "Derivation of Premium Rates for Renewable Term Insurance," by Henry S. Huntington, assistant ac-Lidstone's Formula for the Present Value of the Profits of a Policy," by Arthur Pedoe, retired Canadian manager of Prudential of England; "Some Considerations in Determining Incurred Claims in the Computation of Dividends Under Group Accident and Health Insurance," by Bertram N. Pike, assistant group actuary John Hancock and "Some Considerations Involved in the Analysis of Major Medical Expense Insurance Experience," by Charles A. Siegfried, 2nd vice-president Metropolitan Life.

Lists Items In Detail

The last-named was a detailed review of the items that need consideration in any statistical analysis of major medical experience. Mr. Siegfried paid special attention to such problems as those encountered in studying surgical fees, the incidence and duration of hospital confinement, and classifications by causes of illness

In the paper on accounting state-ments by Messrs. Birkenshaw and Davidson, the conclusion was stated that "with the advent of electronic systems and careful planning of the over-all approach, it is now quite feasible to have as accurate accounting statements at interim periods as at the end of the year."

D. N. Warters, president Bankers of Iowa, stated his belief that an investment in common stocks would not provide protection against inflation, recommended that rather than putting faith in hedges which cannot protect in the long run against infla-"we put all our power behind re-establishing a sound and stable currency, the only real solution to the problem."

E. A. Green, John Hancock, ascribed the trend toward term insurance to factors other than a fear of inflation, especially the growth of group term insurance as a companion to pension plans. R. C. Morrow, National Life of Vermont, described his company's policy under which the term insurance portion may be varied in amount each year, subject to underwriting requirements.

Inflation, whether major or creeping, is not inevitable, J. B. Crimmins, Metropolitan Life, stated. Pointing out the loss of confidence in life insurance that would follow a market crash if common stocks were heavily invested in, he called for the continued sale of guaranteed security and a full scale fight on inflation. That the best interests of existing as well as future policyholders are served by monetary stabilization was also stressed by J. C. Maynard, Canada Life. He said that such stability can be maintained "if we have the will to do so."

Discusses Miller Paper

Mr. Miller's paper was discussed by D. W. Pettengill, Aetna Life, who drew special attention to the 1957 relative value surgical schedule recommended in Mr. Miller's paper. A. G. Weaver, John Hancock, also felt that a new surgical schedule should be adopted by all the group companies, and R. J. Mellman, Prudential, suggested some improvements in the surgical schedule to make it easier to administer. H. J. Stark, remarked that Metropolitan had introduced a surgical schedule for its employe plan in 1928 before the initiation of the first Blue Shield plan. William Cunningham, Pacific Mutual, recommended the use of the California relative value schedule instead of Mr. Miller's, since the California schedule had been prepared by the medical profession

In opening the discussion of Mr. Siegfried's paper, R. H. Hoffman, Equitable Society, gave an analysis of the experience of his company with a similar comprehensive major medical plan issued to one of their large policyholders. D. W. Pettingill, Aema Life, stated that the lack of consistency in premium rates among companies indicated the lack of accurate cost statistics. He hoped that Mr. Sieg-fried's paper would encourage the collection of such statistics.

To Gather Major Medical Data

S. W. Gingery, Prudential, outlined the plans of a committee of the society to gather and publish statistical data for major medical insurance. C. H. Wain, Prudential, urged the use of ne end of the year." frequent supplementary analysis that In discussing Mr. McDiarmid's paper, are less rigorous, but that can ap-



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proximate results rapidly and ecoomically. This information can indicate the need for an urgent over-all rate adjustment before a more comprehenadjustment before a more comprehensive study could be analyzed. J. A. Attwood, of E. S. Hewitt & Associates, pointed out that the objective of a group policyholder in analyzing his claims would usually be quite different from the objectives of an insurance

company. E. A. Green, John Hancock, was chairman of the session devoted to a chairman of the session devoted to a discussion of employe benefit plans. Miss J. W. Beers, Occidental of California, R. G. Pearson, Massachusetts Mutual, B. N. Pike, John Hancock, G. N. Watson, Crown Life, R. J. Mellman, Prudential, and H. J. Stark, Metropolitan Life, discussed their companies' underwriting and dividend practices for group plans which pro-vide relatively large amounts of insurance for individual lives. All stressed the importance of limiting higher amounts of insurance to the same percentage of earnings as for lower income employes. Several companies require medical examinations or health statements, or more restrictive actively at-work provisions. All of the speakers reported that their companies use some form of pooling of claim experience on excess amounts.

Give Contradictory Views

Miss Beers reported that mortality experience on excess amounts of in-surance is worse than normal group experience, and Mr. Pike stated that mortality was over 150% of normal for cases with a large volume of excess amounts. However, Mr. Mellman reported that Prudential's experience on excess amounts is better than

available information on employes in the top amount class. Miss Beers reported that mortality experience for small groups is about 120% of normal group experience, but D. M. Irwin, Aetna Life, reported that an extensive

analysis of experience showed no variation by size of group.

In discussing the underwriting of professional association groups, Mr. Pearson and J. W. Moran, New York Life, stressed the use of schedules of insurance with amounts decreasing by age. Mr. Moran cited a large association case on which actual claims were 75% of normal at ages below 47 and 150% of normal above that age.

Effect Of Labor Dickering

Relative to the market for new group life insurance, C. A. Siegfried, Metropolitan Life, noted that the tremendous growth in sales in recent years was due in large part to the importance of group insurance in labor negotiations. He deplored the transfer of coverage to obtain more favorable and often inadequate rates for medical expense coverage.

G. W. Pickering, Home Life of New York, noted increased interest of professional association and municipal and state employes in group life insurance. He emphasized the importance of good service in keeping schedules of benefit up to date to avoid transfer.

A. G. Weaver. John Hancock, reported that the medical profession generally likes major medical insur-ance because of the broad coverage and the absence of features which might disrupt the doctor-patient re-

something

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others feel that it will not be success-

Administration Costs

Mr. Weaver and W. W. Keffer Connecticut General, pointed out that the provisions of major medical con-tracts relating to "necessary and multiple coverage. reasonable charges" impose an in-Mr. Weaver and M. D. Miller,

In discussing the underwriting of lationship. However, some doctors feel reported use of a new provision to small groups, Mr. Watson emphasized that major medical may jeopardize recognize as "customary" only those the importance of careful review of all Blue Cross-Blue Shield programs and charges that would be made in the absence of insurance. Mr. Keffer re-commended the development of re-gional "relative value" fee schedules. Mr. Gingery discussed the administration of non-duplication benefits and the need to establish priorities for

creased burden on claim administratequitable Society, commented on the tors. S. W. Gingery, Prudential, important work of Health Insurance

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Mr. W. D. Schaffner (left), President of Burke Golf Equipment Corp., Newark, Ohio with Mr. J. L. Painter (center), Nationwide agent of record, and Mr. Robert F. Lane (right), Nationwide Group representative.



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\$ 7% BILLION LIFE insurance in force Council in improving communications vinced of the necessity of a plan special and liaison between the insurance being actuarially sound. W. C. Prout greet industry and the medical professions. and liaison between the insurance industry and the medical professions and hospitals.

In the discussion of major medical premium rate making, W. A. Milliman of Milliman & Robertson, pointed out that companies may have relied too heavily on the right to change rates annually in developing premium rates. C. H. Wain, Prudential, stated that the larger liabilities in major medical coverage impose greater responsibilities on the actuary. H. J. Saffeir, Travelers, described a method of developing basic cost factors from which rates for various types of plans may be derived.

Long Term Disability Data

L. C. Cocheu, Continental Assurance, R. D. Albright, Provident Life & Accident, H. F. Harrigan, Metropolitan Life, and R. M. Duncan, Teachers Insurance, discussed the activities of their companies in the group long-term disability field. To date, the interest in such coverage is principally for high-salaried employes, but a gradual spread of interest to encompass employes at all levels is antici-

The policy provisions used include a strict definition of disability and restrictions on the amount and duration of benefits; practices on integration with social security and other coverages are not uniform. Premium rates are on a one-year renewable term basis and vary according to age and sex, with each company using several sources of experience data for their derivation.

Dr. D. M. McGill of University of Pennsylvania described some of the projects to be undertaken by task forces of the Pension Research Council. Dr. C. H. Fischer, University of Michigan, outlined some of the problems which his task force would have to face. D. C. Bronson, the Wyatt Co., discussed some additional thoughts concerning actuarial soundness which he did not cover in his recent book on this subject. G. N. Calvert, Alexander & Alexander, pointed out that there are no new actuarial problems in a variable annuity plan of the equity unit type.

S. J. Kingston, National Life of suggested using the term ty in defining actuarial probability in defining actuarial soundness. William Lumsden of Seefurth-McGiveran gave some examples of problems which have arisen in trusteed plans that were not actuarially sound. J. L. Clare of UAW-CIO and R. P. Walker, Wisconsin National said that his union was quite con-stated that banks were require

d. W. C. Prout, agreed present legisla agreed protection for iam, tion gives sufficient pension plans guaranteed by abver insurance company. G. A. Cooke was 1 Canada Life, explained the Canadia mium income tax act provisions in connec Pau tion with pension fund contributions, tion with pension fund contributions stated J. K. Dyer, Towers, Perrin, Forster timered Crosby, described the characteristic after differences between insured and grader uninsured pension plans. J. A. Hami vation ton, the Wyatt Co., discussed the three in satypes of pension plans which gear the over-acceptance benefit to the purchasin sentence. pension benefit to the purchasing produc

pension benefit to the purchasin product power of the dollar.

J. R. Williams, Lincoln National double set out the long term group objective New Y of his company. R. J. Learson, Mutua decision of New York, suggested that a company planning to enter the group periem insurance field should not waste time Equitation. on elaborate actuarial analysis of recent surplus margins but should study the indem results of those companies that have mortal entered this field since World War II amoun

No Change In Male Mortality

The session on individual ordinary life insurance was conducted by L. M. Dorn, New York Life. E. A. Lew Metropolitan Life, reported little improvement in male mortality and saw little chance for future substantial improvement. F. E. Rooke, Canada Life, presented the results of a Canadian mortality investigation which indicated continuing improvement in mortality except at younger ages. A. C. Webster, Mutual of New York questioned whether companies are maintaining selection standards in the light of the relatively smaller mortality improvements being reported.

A. T. Bunyan, Phoenix Mutual more

improvements being reported.

A. T. Bunyan, Phoenix Mutual reported over half of their paid business. reported over half of their paid business on policies with high early cash values. He indicated that first year lapse rates were running at double normal rates, and this result was confirmed by E. A. Dougherty, Unior Central. Although N. L. Campbell National Life of Vermont, reported great popularity for high early cas value policies, W. J. November, Equitable Society, indicated a relatively table Society, indicated a relative poor reception of a recently introduce plan.

C. M. Sternhell, New York Life J. R. Hanson, Massachusetts Mutus and W. K. Nicol, Commonwealth, a reported great popularity with agent and policyholders for pre-authoriz bank check plans, along with excelled acceptance by banks.

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ed the thre in sales per agent along with an ich gear theorer-all increase in the volume of purchasing production per agent.

Speaking on increased limits for Speaking on increased limits for double indemnity, J. R. McDonnell, pobjective New York Life, said that his company's rson, Mutual decision to increase limits arose from that a composideration of their favorable extended that a composition of their favorable extended that the group perience in this field. W. J. November, waste time Equitable Society, cautioned that the analysis of recent intercompany study of double distudy the indemnity showed decidedly higher that has mortality ratios for policies of large

s that have mortality ratios for policies of large orld War II amounts.

r paid busiearly cash

Problems With Large Amounts

A. P. Morton, Prudential, discussed underwriting problems associated with large amounts of double indemnity do little implification of the large amounts of double indemnity and saw substantial commented on his company's substantial existing to A. C. Wobstor, Mutual of

of a plant special wording in indemnification I. C. Prout greements and felt that a standard sent legisla greement was desirable. W. A. Merotection for fam, Metropolitan Life, remarked that be by a year 35% of their ordinary business A. Cook was being issued with monthly present in connec. Paul Rotter, Mutual Benefit Life, in connec. Paul Rotter, Mutual Benefit Life, remaind in contributions tated that they had a substantial of form the form of the reasons of the reasons of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for except of military pilots. E. A. Lew, Metropolitan Life, remarked that his compan consideration in underwriting military risks. E. H. Sweetser, New York Life, described a study which led his company to adopt a plan under which fighter pilots under age 30 are charged higher premiums than similar pilots flying in other types.

Occupational Underwriting

Commenting on developments in the field of occupational underwriting, K.M. Davis, Equitable Society, stated that his company has recently lowered extra charges for certain occupations for which the extra mortality rates were low or for which extra charges should be made on the basis of medical aspects. W. A. Merriam reported that Metropolitan will now accept as standard certain better classes of risks which heretofore would have been ity and sam decision to increase limits of double accepted only with an occupational substantial indemnity. A. C. Webster, Mutual of of a Cana- New York, observed that the cost of of a Cana- rowiding benefits for larger amounts too which could well be influenced by legal tonal hazards, increases may occur in the atomic energy and chemical fields and also in areas where big industrial concentrations are being developed. W. V. Hart, Connecticut General, which in the society's aviation committee to pioneer in highly substandard areas and give consideration to insurance to make the control of the society's aviation committee. accepted only with an occupational extra. B. C. Pauley, Prudential, cautioned that even though recent studies

The underwriting of individual policies on a "guaranteed issue" basis to groups of lives was discussed by H. L. DePrenger, R. E. Moyer and C. A. Yardley. Mr. DePrenger, Continental Assurance, summarized his company's favorable experience for the period 1950 to 1957 and described the standards used to control the type of business. Mr. Moyer, John Hancock, commented on underwriting standards and problems concerning coverage for associations and key men. Mr. Yardley, New England Life, reviewed his company's experience of the past several years and also explored problems

sion, it is much more popular at ages under 25. S. P. Adams, Lincoln National, outlined the reasons why his company's plan embodies a modest amount of additional term insurance.

Company practices concerning en-tries in the annual statement for additional decreasing and level term insurance were reviewed by William Gould, Metropolitan Life, J. S. Thompson Jr., New York Life, and C. C. Kirkpatrick, American Mutual.

Seattle Life Managers Assn. heard L. Thomas Eckstrand, district manager Equitable Society, talk on recruiting and training at a recent luncheon.



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Editorial Comment

Chance To Denounce Fee Gouging Muffed

We were a little disappointed at the talk that Dr. Louis M. Orr, presidentelect of American Medical Assn., gave at the annual meeting of International Claim Assn. recently. Or to take his advice about not damning the whole for the fault of a part, let's say we were disappointed at his failure to make more of a matter of the serious problem of the overcharging of patients who happen to have major medical coverage.

We were disappointed because Dr. Orr, who is obviously a kindly and well-disposed man, seems to feel that the boosting of fees to reflect the amounts of claim money available through major medical coverages is going to be solved by a little conference with the county medical society.

The fact is that there has been a shocking increase in medical fees in altogether too many cases where the only possible explanation is that the patient has major medical coverage that puts his "ability to pay" in the rich-people class. Some companies have already boosted their major medical rates and indications are that more are going to have to.

It is a pity that this new and excellent type of A&S coverage should be very people who stand to gain so much from it if they will only show enough restraint to keep from killing the auriferous goose.

Let it be freely conceded that most doctors are not taking advantage. The trouble is that with the claims payable under the liberal provisions of major medical it doesn't take too many gouging doctors to run the loss ratios up to ruinous proportions. These doctors are spoiling the future takings for themselves and for their less avaricious colleagues. Perhaps they foresee this and figure the only sensible principle to follow is, "I'm gonna get mine

Let's make every possible allowance for the thousands of doctors who don't boost their fees just because there's insurance money available. It still takes more than a few isolated naughty boys in the profession to force companies to alter the rate structure.

The situation is a lot more serious than Dr. Orr and presumably the leadership of the American Medical Assn. seem to think. If organized medicine doesn't take this problem seriously, a lot of decent, fair-minded, non-gouging doctors are going to be penalized through no fault of their own when major medical gets priced out of the market because others in the medical profession insist on making a gravy train out of major medical. Worse still, of course, a large segment getting this kind of set-back from the of the public will find major medical is just too costly and will go back to the older and simpler system of just letting the doctor wait for his money. -R.B.M.

Brake On 'Brainstorming

"Brainstorming"—the stimulating with associates who do not take the process in which conferees whip out the first idea that pops into their minds-can be carried to excess, according to a warning from an authority. The brainstorming technique has caught on to some extent in the insurance business but with a look at the negative aspect of it, the trend can probably be arrested before it gets out of hand.

"Brainstormers Anonymous" has been suggested by Vice-president Anthony C. Chevins of the Cunningham & Walsh advertising agency of New York as a means of curing brainstorming addicts. Mr. Chevins wants to start a trend away from "mental togetherness" and "groupthink." He wants to stimulate "more lone-think, more guts."

Chevins' objection to brainstorming is that it discourages analytical criticism, encourages the "shallow-rooted ideas that grow in the top of your head," and emphasizes quantity instead of quality.

In his talk at the New York alumni chapter of Alpha Delta Sigma, Mr. Chevins asks, "What does it mean to get 187 ideas in 47 minutes? I'm sure you've known many people who have at least a dozen ideas a minute-all lousy.

"They waste everybody's time. Nothing is more irritating than someone who submits hundreds of ideas in the hope that one will be acceptable. time or trouble to eliminate the obvious tripe.

"There is nothing the matter with a meeting per se. Even brainstorming has some cathartic benefits-that of purging off the top of the head those worthless ideas that usually stand in the way of constructive thinking.

"But I am particularly against the use of brainstorming because it is the flagrant example of our innate desire to shortcut honest thought-to get something for nothing-to solve all our problems through the pernicious panacea of meetings, meetings, meet-

"Meetings do not bring out the best in us. They are designed for the people who would rather do anything except actually go ahead and do it. They are a haven for compulsive talkers, impulsive talkers and repulsive talk-

Speaking for "the lonely courage of independent thought-for ideas born in the sacred solitude of a single brain," Mr. Chevins said: "I know I needn't belabor or bludgeon you with proof that lone thinking pays off. It has since the beginning of recorded time. The great ideas have come from men working alone-Pasteur, Einstein, Edison, Newton."

We believe that Mr. Chevins overstated the case against brainstorming, but we're passing along his views for It is irksome, to say the least, to work the sake of any insurance people who sioner Beery.

have to contend with some overenthusiastic brainstormers and don't know how to keep them from going to excess with what, after all, can be a useful technique if used with moderation and some idea of what can reasonably be expected from it.

It is apparent from Mr. Chevins' diatribe that he is aroused not so much against the brainstorming technique itself, but against the type of extremist who latches on to any new idea and tries to make it carry more of a load than it can be expected to .-

Personals

Richard G. Ebel, an assistant editor of THE NATIONAL UNDERWRITER, became a father for the first time October 10. The baby, named Robert Mitchell Ebel, weighed in at seven pounds, two ounces. The father resumed his newspaper duties after the usual recuperation period.

A. N. Guertin, actuary of American Life Convention, was not on hand for the ALC meeting last week. He was at his home in Winnetka recovering from an operation, and will not be back on the job for about 14 days.

Deaths

RICHARD L. SCHLEY, general agent of Penn Mutual Life at Savannah, died after a prolonged heart illness.

WILLIAM L. SHARPE, 77, retired director of Pilot Life, died at Greensboro, N. C. He had been hospitalized for the past 10 months. Mr. Sharpe joined Pilot Life in 1904 and became assistant treasurer in 1927. He was elected a director in 1944 and retired

M. E. EVERETT, president of Union National Life of Georgia, died.

Stocks

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Cal.-Western States 151/2 Columbian National 105 110 Commonwealth Life 231/2 146 80 Bid 86 23 Gulf Life . Jefferson Standard Liberty National Life
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The Colorado department has allowed 62 independent multiple line companies to raise rates within the last six months, according to Commis-

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ITEN Inflation Perils Insurance, ALC Told

(CONTINUED FROM PAGE 1)

eral months we see United States government bonds down 10 points in price, he added. But in the interest of self-preservation, as well as for patriotic reasons, the life insurance busirious reasons, the me insurance business should assume an aggressive, constructive attitude in supporting the Treasury in its efforts to slow down inflation. No other business has interests more directly involved with the stability of the dollar than life insurance, Mr. Siegel declared.

Staggering Treasury Task

The Treasury faces an almost-impossible job in its efforts to hold to a minimum the monetization of the very large deficits that seem certain, not only in the current fiscal year, but in the next several fiscal years as well.

"It is difficult to avoid the con-clusion," Mr. Siegel said, "that continued reliance on the banking sys-tem of this nation for placement of additional government securities cannot do other than create tremendous hazards in the years ahead. Preventing further shortening of the average maturity of existing government debt into commercial banking field calls for a much more constructive and aggressive policy than we in the life insurance industry have evidenced in recent years. The need to lengthen the maturity of the federal debt is recognized everywhere."

GERARD'S VIEWS

The life insurance business is undergoing some change in the character of its investments—including some financial "gimmicks," the Financial Section was told by Victor B. Gerard, vice-president and treasurer of Commonwealth Life.

Among today's financial gimmicks, E. 6th St he said, are junior subordinate con-1-3396. Pau vertible debentures, purchase leasebacks, revenue bonds on swimming ployers Insur pools and industrial plants, oil pro-duction loans and package units of debentures and stocks together.

"If we want to 'keep up with the J. Rober Joneses' in our business, we must embrace some of these new styles in finance," he said. "If we purchase books issued by corporations with top credits, we compete with a new and rapidly growing group of investors in high-grade bonds—of which pension funds and state accounts are good examples—who regard non-criticizable names as essential and who by of their purchases have brought about tivities." wer yields for these credits.

Off-Beat' Issues A Problem

"The life insurance business, since ts continued asset growth permits it erce Ct., Tel always to be a buyer of investments n balance, has little need for the s. Broad s. iquidity provided by these high-grade redits and even less need for promnent names that pay with 'board.' life insurance investments, therefore, emuth, Resignation and be spread over a broader spectrum."

But "off-beat" financing presents eal problems, Mr. Gerard added. First, the investment officer has to ell himself on the security and secnd, he has to convince his associates n the finance committee.

mportance to give detailed and earn- vision.

he National crisis, when within the span of sev- est consideration not only to management but to indenture terms as well. He expressed the conviction that it is possible to lend money safely and at satisfactory rates to a company of what he described as "rather mediocre investment stature" by carefully tailoring maturity and indenture to suit the circumstances.

"We should appreciate that a debenture of a medium-grade company with a relatively short maturity and proper indenture terms can have as much real investment stamina as a very long-term bond of a high quality corporation," he said. "Maturity and indenture terms can frequently be made an adequate substitute for socalled quality.

All the other Financial Section speakers were from outside the life insurance business.

O'Mahoney Questions Commissioners On Operational Details

(CONTINUED FROM PAGE 1) surers of each type? Give names of do-mestic companies liquidated or fully reinsured during the past five years, domestic or out-of-state, whose licenses have been revoked or suspended during that period and all mergers or acquisitions through which control of a domestic insurer or of one or more separate lines of a domestic insurer have been taken over by another corporation.

The commissioner is asked to cite all state statutes which may be invoked against restraint of trade, monopolies, or unfair trade practices in the insurance industry and to detail all actions taken during the past five years invoking those statutes.

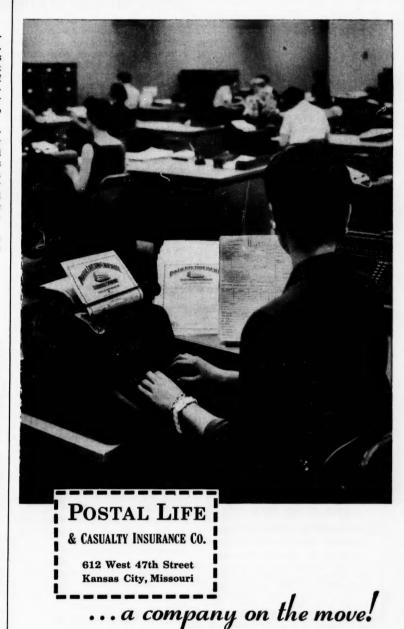
How is the commissioner selected? What is his tenure? What is his salary, personal history, background and special professional qualifications? What offices in National Assn. of Insurance Commissioners does the incumbent commissioner hold?

Does any department staff member have any "concurrent employment or advisory connection with insurance companies or insurance organizations?" Other questions in this area concern the size of the departmental staff, the pay of staff members, and their qualifications. What specific research has been done in the past three years? The commissioner is asked to submit his operating budget over the past six years, broken down in detail and with

The subcommittee wants a complete breakdown of licensed domestic and out-of-state insurers of all types, together with premium tax received from each in 1957, and the net premiums within the state of each licensed company. Also called for is an explanation of department policy with respect to frequency of examination of domestic insurers and a breakdown of the number of companies of each type not examined within the past five years.

California Department Names Two

Mervin R. Samuel, acting chief of the compliance and legal division of the California department, has been named administrative head of a new bureau of employe health and welfare regula-Mr. Gerard said that in the area of tion, Frank Fullenwider has returned lacement finance, it is of the utmost as head of the compliance and legal di-





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U.S. Chamber Eyes Federal Regulation

In a letter to the insurance membership of the U.S. Chamber of Commerce, following a recent meeting of the insurance committee, A. L. Kirkpatrick, manager of the chamber's insurance department, said that it is commonly believed that the ocean marine business will be the next subject of inquiry by the Senate anti-trust subcommittee. He noted, however, that Sen. O'Mahoney has proceeded almost single handed, except for some support from Sen. Kefauver who is actually the committee chairman. Even Republican committee members are completely in the dark as to present activity and future plans for the inquiry, Mr. Kirkpatrick said.

In another connection, he declared that reports to be filed with the Department of Labor, in connection with welfare and pension funds, may prove to be a first step in federal regulation of the business. Under the act just passed, no regulation is involved. However, the letter states, President Eisenhower will almost certainly make recommendations for amendments, and the issue will be fought out again next year.

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Urges All-Out Crusade Against Inflation

(CONTINUED FROM PAGE 2)

ultimate destruction of our society's spirit of self-reliance, our national character, and ultimately making all utterly dependent on government. It may be our own or one which we may not care to recognize-not necessarily foreign, but a prototype which we may have allowed to mushroom on these rock-bound shores which through neglect we have allowed to become a quagmire.

"Our nation is faced today with an anticipated peacetime deficit of \$12 billion for this fiscal year. We are faced with federal budgets of upward of \$80 billion or more annually. Shall we build a bridge to cross this chasm or shall we take the easy road and fall into the abyss of socialism?

"Unless our current policies are reversed, what will happen to our federal government's credit? One has only to look at the Aug. 1, 1958, bond refunding operations and omit the maturing bonds held by government agencies to find the answer. One may find the answer also by reviewing the government bond market for these past several months. There never was a more propitious time than now to make all members of Congress, as well as all those in the administration, fully cognizant that the American people are fully aware of the dangers of uncontrolled inflation and of what happened in nations such as France and Italy.

"What are these forces of inflation? Whence comes their strength? Is it the unlimited extension of credit supported by so-called government guarantees? Is it the system of government subsidies supporting abnormal price levels on foods and farm products? Is it the result of powerful unionism forcing wages ever upward? Is it from contracts by government on a cost-plus basis? Is it a result of the international rearmament race, and the resulting spiral in costs of durable goods in order to obtain similar pro-

Scores Giveaway Programs

"Is it a result of deficit spending by government never before experienced in time of peace? Or is it that we are adopting the policies of the governments of Europe and if so, will we be satisfied to travel down the same road with them? Are we being maneuvered into this position by other governments in our international giveaway programs? I sometimes think that they must be strong in their religious conviction that 'Ask and it shall be given unto you.' And our government is attempting to prove just that.

"So we ask again, 'What kind of dollars will the next generation of life underwriters deliver to the beneficiaries designated in the policies which we of this generation are creating with our policyholders?"

Must Organize Grassroots

Mr. Pritchard declared that each state must be organized on the grassroots basis so that every senator and representative will be made to realize that the American citizen of this generation is just as interested in saving the nation for future generations as in having a giveaway program that has become one of the greatest pork-barrel systems for obtaining votes ever foisted on the American

electorate-and they call it 'social security.'

"We charge our 75,000 members of NALU with the responsibility, both individually and collectively, to contact personally his or her congressman and senator regarding this grave situation," he said. "We therefore urge on each of your members the necessity of bringing all of the facts of our social security program, of our deficit financing, of our international giveway program to the citizens of his community to the end that Congress and this administration be made fully aware that we, the life underwriters of this nation, are dedicated to the obligation of delivering dollars in the future that we are now promising and have promised in the past to be delivered to the beneficiaries of the contracts to our policyholders.

"We must ever be alert to the ravages of taxation and other illadvised legislation that will in any way adversely affect contracts which have delivered or the proceeds resulting from the maturity of those contracts, either by death or otherwise. To this end we pledge this administration of your National Assn. of Life Underwriters."

Tells ALC Agency Section How He Uses Agents To Help Recruit Men

(CONTINUED FROM PAGE 2) as a man who is "part of your teamperson that you like and likes you."

"He has to know the business and have the patience of a teacher," said the speaker. "He has to be enthusiastic and be able to impart that enthusiasm to others. He has to be loyal and able to earn the respect of the people he is supervising. But most important of all he must be completely unselfish. Many times our top salesmen are much too selfish to be good supervisors.

Appeal To His Ego

"To develop a supervisor from a successful producer, the thing you have to sell is not money. You have to appeal to his ego, the sales management concept, and the opportunity to help others get started in this great business of ours. You have to make them want to be part of the team and sell them on the job satisfaction supervis-ory work affords."

The supervisor, he said, has complete



H. Harold Leavey (left) of California-Western States Life, chairman of the ALC legal section, receiving congratulations from the retiring chairman, Dudley Porter Jr. of Provi-

Insurers Push For Roc Full Multiple Lines

(CONTINUED FROM PAGE 6) York which does not permit a interest company, wherever domiciled, if opely, set ating in New York state, to buy at he company. There was, of course, to need famous case of Connecticut Gene jemmal which was prevented by the New You hay Be of Hartford. On the other hand, He Whetford Fire which is now negotiating unies of Hartford. On the other hand, Har Whet ford Fire, which is now negotiating upies purchase Columbian National Linay be will undoubtedly be permitted to nation. so, so far as the New York department may be concerned, because there is no bregard preventing such an acquisition. The vidence is no doubt but that the New York hated a suill be changed as the connections to end in the connection to the connection of the connection of the connection to the connection of the connectio will be changed as the opposition to reeding becomes more determined and voc compar

Agency Organizations Impress

Any discussions of a company open ing sty ating on the multiple line basis, changit there will be many of them in the fionture, should not be concluded with. In its companying that the requirements the state of th remarking that the regulation storther fire and casualty companies have be proper impressed more than a little by the size and effectiveness of the agents relative agents organizations of the captive-agenting. companies. Such organizations all bondem gan in the property field, writiprincipally automobile insurance
the smaller towns and cities. The
particular type of operation require
ionship particular type of operation require their agents to make many calls, isale-Le their agents to make many caus, sale cluding a large number in the evening. A ty-Their success in the automobile fit hering is beyond question. Several of the lucing now provide fire and casualty covered age on property other than automated aneous bile, and most of them have organization, which life affiliates.

Their success in the life field herm le their success in the life field harm to been so pronounced as to warra close attention and study. It demo strates that the average local age can make a success of life insurand a contract of the success of life insurand a contract of life insurand a contr can make a success of life insurance that pushing and selling life need of interfere with the average log rovider agent's property in the average log rovider agent's property insurance operation These captive-agent companies ha on performance, established beyon contradiction the fact that the lo agent of any size anywhere can persuaded to increase his income i terially by writing life insurance.

authority and responsibility in unit. He is encouraged to use judgment in recruiting, selecti training and supervision. Many m agers make the mistake of hiring a pervisor, paying him and refusing give him any real responsibility authority, but, Mr. Best added, then no point in paying someone to do job and continuing to do it oneself.

NALU Begins Membership Drive To Reach Year-End Goal Two Months Early

National Assn. of Life Underwr moved into the last quarter of ! with a record number of members a its membership committee, headed William E. North, manager of N York Life at Evanston, Ill., announ its intention to launch an all-out dr to reach the year-end goal of 77,6 by Oct. 30.

In making known the committee intention to concentrate on filling quota ahead of schedule, Mr. N said that membership, as of Sept. was approximately 75,250 as compared to the previous high of 73,431 at end of 1957.

Lines

r hand, He Where a life company owns and ocnegotiating upies properties, these properties (ational Limay become the subject of condem-remitted to nation. Necessary appearances must be departure to made, conclusions must be drawn ere is no bregarding the legality of the taking, tistion. The vidence of value must be accumulated to the value of value must be accumulated to the value must be accumulated and vocompany might not be recompensed for such factors as loss of a historic company address or a symbolic build-ompany might, or for the inconvenience of

ation required in the evening the company acquires property investments is veral of the less ale-leaseback, where the life assualty covered than autom company acquires property and simultaneously leases it back to the ven neously leases it back to the venave organizator, who operates it under a longor, who operates it under a longlife field be rem lease. Since the purchase price
s to ware
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e local age to a willing seller in an open marlife need between a willing buyer
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rovided for termination upon con-

PAGE 6) life company becomes a party with permit a interest with the condemning authorciled, if opty, seeking to uphold the legality of to buy at he condemnation proceedings and focurse, toncerned that the amount of the conticut Gene temnation awards are not excessive. The New You have Be in Owner Role iring Nation of the company owns and ocnegotiating uppies properties, these properties.

in the property.

If a life company purchases or erects a substantial building on ground leased from another, it is essential that its interest in the building be protected should condemnation occur. The award should accurately reflect the value of the tenant's interest in

Mortgagee Must Enforce Rights

company address or a symbolic buildompany one ing style, or for the inconvenience of ne basis, changing its business to a new locaem in the store.

In its housing developments and uluded with. In its housing developments and ulution store other company-managed investment dies have be properties, the life company encounlittle by the erse condemnation problems posed by the agent ings are involved: How a possible actions all condemnation award will be apportied, writted insurance of the company and tensions insurance of the condemnation insurance of the company and tensions in the store of the company and tensions in the store of the company and tensions in the store of the company and tensions have been in accord with the proposition that mortgage debts may be satisfied out of the company investments has been, and may be expected to be, in the real estate mortgage area. Under state law, decisions have been in accord with the proposition that mortgage debts may be satisfied out of the company investments has been, and may be expected to be, in the real estate mortgage area. Under state mortgage area. Under state is and may be expected to be, in the real estate mortgage area. Under state mortgage area with the proposition that mortgage debts may be satisfied out of the company investments has been, and may be expected to be, in the real estate mortgage area. Under state mortgage area with the proposition that mortgage debts may be satisfied out of the company investments has been, and may be expected to be, in the real estate mortgage area. Under state mortgage area. Under state mortgage area. Under state mortgage area. Under state mortgage area with the proposition that mortgage debts may be satisfied out of the company investments has been, and may be expected to be, in the real estate mortgage area. Under state law, decisions have been in acco

as the case may be, by Federal Hous-ing Administration or Veterans Ad-ministration. Neither law nor regulations expressly mention the subject GA.-VA.-N.Y.-ME. of condemnation or its impact on investors' rights. VA regulations, as they have been interpreted, place a severe burden on the lender in condemnation and other legal proceedings; failure to observe the applicable requirements can, after foreclosure, result in a reduction or loss of the

VA's guaranty.

Fortunately, the position has been taken by the VA that there will be no

For Road Condemnations Demand Precautions diminution of the guaranty if the lender's default does not result in any loss to the guarantor. The FHA has indicated that the risk involved in a New York incurence deportunity. condemnation proceeding is not assumed by the commissioner but rather rests with the lender.

The life company, according to FHA views which are not necessarily shared by lenders, must take all necessary steps to insure that the amount of any award is adequate compensation for the property taken, such adequacy to be determined, perhaps, with hindsight by the FHA.

New York insurance department is holding its annual informal hearings on proposed legislation Oct. 21-22 at New York County Lawyers' Assn., 14 Vesey street, New York City.

The casualty, fire and marine, and the agents' and brokers' agenda will be discussed on the first day. The life, fraternal and A&S agenda will occupy the second day. The hearings will run from 10 a.m. to 4 p.m.

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